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THE REAL HISTORY
OF
MONEY ISLAND.

FLÜRSCHHEIM.



M. L.

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THE REAL HISTORY
OF
MONEY. ISLAND.

BY
MICHAEL FLÜRSCHHEIM,
Author of "Rent, Interest, and Wages."

CROYDON, LONDON :
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1896.

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Dedicated

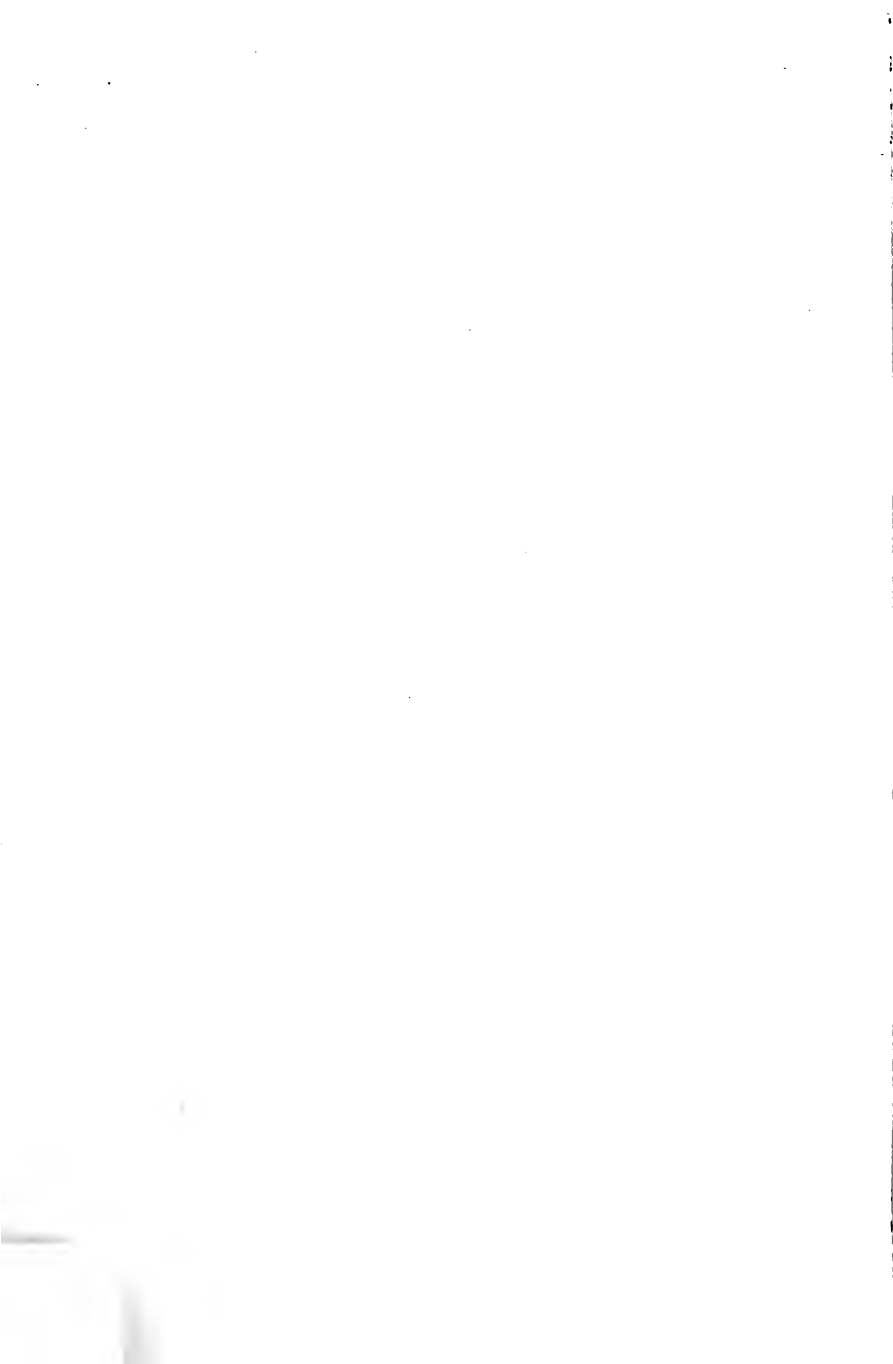
with the Author's best wishes

TO

J. BRUCE WALLACE

AND

THE BROTHERHOOD TRUST.



PREFACE.

FIVE years have gone since "*Rent, Interest and Wages*" was handed to the publisher (Wm. Reeves, 185, Fleet Street, London). The third edition has lately come out; and the rapid sale of the book indicates the undiminished interest of the public. These five years have furnished additional proofs for my "crisis" theory—my explanation of commercial depressions—as the prediction which I based on this theory has been verified. I had predicted that, far from improving, the crisis was bound to get worse from year to year—unless a great war interrupted it for a short time—because the source of the crisis, which I claim to have discovered, admits of no other development. The satisfaction of having been the first to make a great scientific discovery has not had upon me the effect which unfortunately is often produced in such cases. When men have spent many years of their life in working out a problem from a single special point of view, a mental failing is apt to be developed, which I call "reformers' hypnotisation." It is like the well-known effect produced on a cock made to look steadily at a chalk line on a table: its fixed attention hypnotises it completely. A hypnotised person can be made to see only certain objects or persons and to become blind to all others. People permanently so hypnotised we call "cranks," perhaps because their mental processes have come to resemble the working of a crank, which, no matter how diligently turned, always comes back to the same point. The distinctive feature of a

crank is that he never modifies his views. He never sees—certainly never acknowledges—that he has been in any point mistaken.

I own to having myself once belonged to that honorable fraternity. I don't use the adjective "honorable" in a sarcastic sense, for I quite agree with Prince Bismark in preferring a man with one idea to the majority, who have none at all. But this little book shows that I have left the cranks, for it gives the proof of my seriously transgressing the fundamental law of that fraternity: the law of believing in their own infallibility.

In "*Rent, Interest and Wages*" I have traced the cause of social misery to private landownership, directly through the monopolisation of the fountain of all life and work, indirectly through seeing in Rent the mother of Interest. I do not intend to go back on this theory. In fact the seven years which have gone round since I first published it have strengthened my conviction of its truth. But I have made a new discovery by infringing the law of the code Napoléon which forbids the search after paternity. After having found in Rent the mother of Interest, I have searched and found its father. This father is *Money*, or rather, to be more explicit, our present monopoly currency. (Whether gold, silver, or paper forms the basis of this currency, the underlying principle of "monopoly" is the same.) I had failed to find out the miscreant before, because I always considered him below my notice, imagining that after land nationalisation the money question would right itself, and I certainly never thought him capable of any partnership in the begetting of Demon Interest.

As I have freely confessed my guilt so far, I want also to make a free confession of how and when the light dawned on me for the first time. It was a result of the work I had undertaken in the reorganisation of the famous Topolobampo Colony in Mexico. Or rather the intended reorganisation, for I did not succeed. I had been urgently invited by both the contending factions to come over to settle their quarrel, and with infinite pains I worked out drafts of by-laws and contracts. These were accepted by the representatives of both parties, only to be broken, however, as soon as made, by the founder of the colony, Albert Kimsey Owen. His contracts with the Mexican Government were such that without his co-operation peaceful work appeared impossible for years to come, and there was no chance of obtaining this co-operation except on terms I could not accept or advise others to accept.

This work—fruitless though it proved for its immediate purpose—brought me face to face with all those questions which the law-maker of a common-wealth has to deal with. It is an old experience that things look a little different from the benches of the opposition and from the woolsack. Both the land and money questions had to be considered. Of course the foundation of our constitution was common ownership of land, a very important thing in the distant future, but very unimportant in the present, when land was worth almost nothing and could be had at that price everywhere around us. On the other hand the colonists were willing to pay 12 per cent. for money, or even more; for you could have had a hundred hard workers as partners, who were quite ready to give you half of the proceeds, if

you only furnished the money they needed. And so the money problem loomed in the foreground, and looked quite different from what it had looked at my desk at home. The results of my studies of this important question, which I had neglected before, are given in these pages. In the course of these studies I became acquainted with a number of writings the conclusions of which tended in the same direction as mine, but had been reached by the authors in an entirely different way. I had approached the social field through the gates of the land problem; they had passed through the money door. As I had been hypnotised by land, so they had been by money. The natural consequence was that they were just as blind to the land question as I had been to the money question. Some even went so far as to proclaim Rent the child of Legal Tender Money. The worst of it was that even in the very field which they had explored, and in spite of the correct practical conclusions they had come to as regards the remedy, the fabric of their logic often was of the flimsiest nature. The mere words "Legal Tender" were as a red rag to a bull. It blinded them to such a degree that they even distorted the history of money so as to suit their notions.

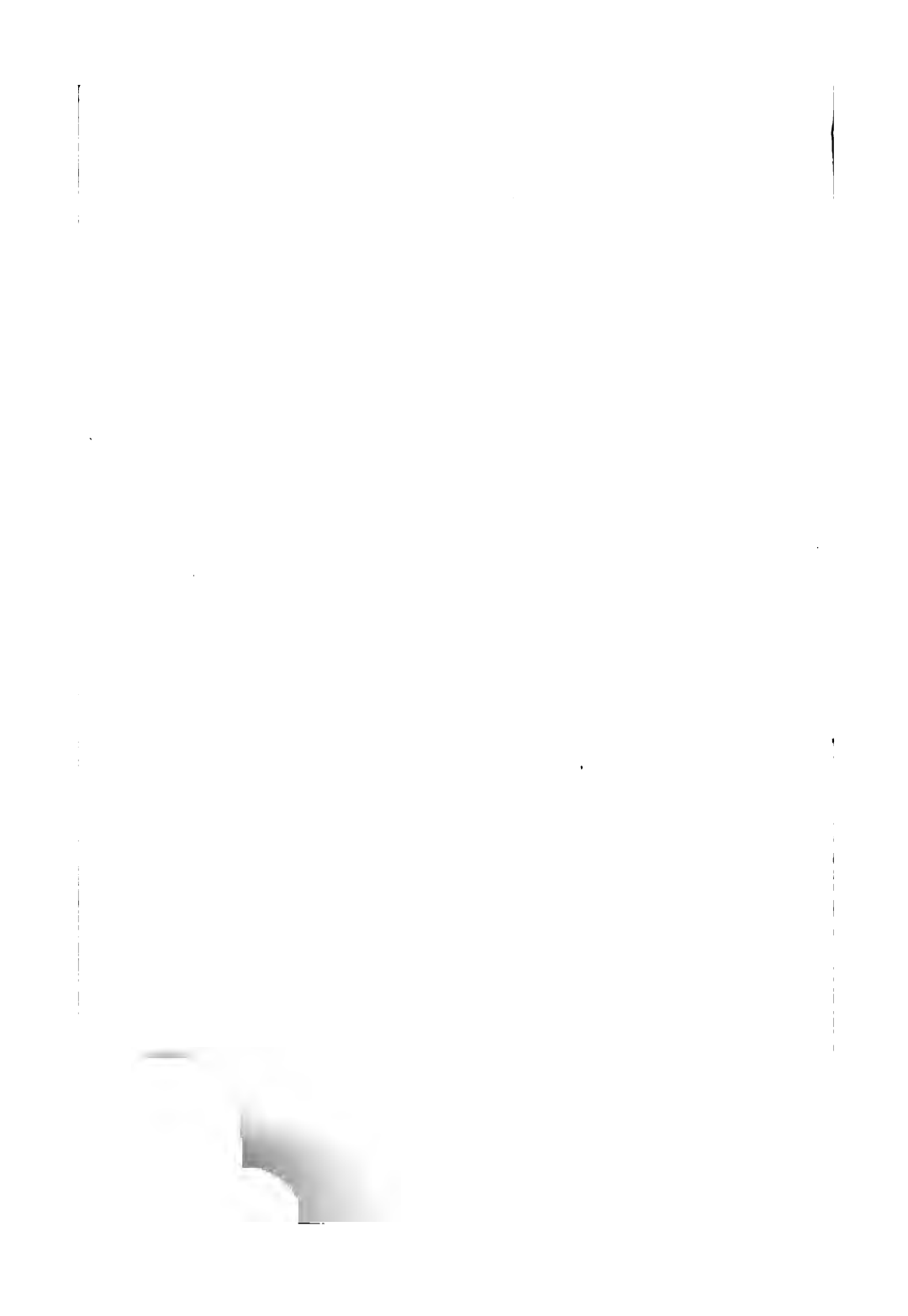
The direct origin of this book was the desire of a friend to have me write a preface to a little American pamphlet entitled "Ten Men of Money Island," by S. F. Norton, of which over 500,000 copies seem to have been sold in America, and which he wanted to have reprinted for England.* I set about this task, but I soon found it would

* It has since been published by Mr. Reeves, 185, Fleet Street London, E.C.

not do. I had noted ten points, of more or less importance, in which this "Primer of Finance" was as far from the truth as those whose errors it tried to expose. I certainly could not write a preface in which I demolished half of what the book contained. Of course I gave it up, but the idea of presenting this question in such a popular form struck me as very good, and I decided to try whether I could not bring out my own ideas in a similar way. The result is this little work, for which I beg my reader's indulgence. I do so especially for the style and grammar. A foreigner may be ever so conversant with the noble language in which Shakespeare wrote, yet he can hardly ever acquire in it the ease and fluency of an Englishman. If my first attempt had not been so well received I would certainly not have ventured to repeat it.

MICHAEL FLÜRSCHHEIM.

Lugano, Switzerland,
January, 1896.



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ERRATA.

Page 44, 7 lines from top, for "value" read "amount."

Page 61, 15 lines from top, for "by the two" read "by one of the two."

Page 73, 8 lines from top, for "try to get passed" read "pass and forward to."

Page 97, 7 lines from top, for "obtainable" read "exchangeable".

Page 106, 7 lines from bottom, for "get" read "lose."

Page 109, 15 lines from top, after "improvement" add "unless this improvement extended to gold production."

Page 121, 3 lines from top, for "had full power" read "had not full power."

Page 130, 8 lines from top, for "asphan" read "ashpan."

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MONEY ISLAND.

CHAPTER I.

THE ISLAND IN PRE-HISTORIC TIMES.

IT was a good island. Nature had done much for it. The climate was one of the best in the world, neither too hot nor too cold. Rain was abundant ; perhaps a little too abundant ; so much so that the umbrella, soon after it was invented, became the national emblem. The soil was fertile ; timber and minerals were plentiful, and excellent harbours studded the coast. It was peopled by a fine sturdy race, who became greatly improved through mixture with other races that arrived on the island as conquerors. The mode of living was very plain, as it had to be when man had few tools to conquer nature with. The laws of the islanders were quite as simple as their tools and arms. The people met in certain places to discuss public affairs, then of a simple nature. The most important business they transacted was the apportionment of land, for the land was owned in common and allotted to individuals according to their needs. Whenever, through increase of population, some were without sufficient land, a new division of agricultural land was made. All the rest of the land was kept as an undivided

common, to which also any soil that went out of cultivation was returned at the next division. Every one had a right to the home he built, so long as he occupied it; and his descendants, inheriting it, had a right to it so long as they lived in it; but this home could not be sold to any outsider. Mortgages were unknown. Trade was little practised. Every family produced all it wanted—food, clothing, and shelter; and if their simple products were exchanged, it was done by barter. Little provision was made for the future, though they certainly ought to have provided for a rainy day, having so many of them. When crops were bad, they had to starve. When there was plenty, they gorged themselves. They lived as all barbarians do; and yet there was not so much misery among them as there is in our highly cultured times, in the midst of our centres of civilisation.



CHAPTER II.

DIVISION OF LAND AND INTRODUCTION OF MONEY.

THE inhabitants of our island progressed in agriculture and in the arts. The periodical divisions of the land, however, retarded improvement. Nobody likes to manure and drain a field and then to lose it at the periodical division because the lot gives him the comparatively worthless land previously occupied by a lazy neighbour. Our islanders did not know that, by introducing a good lease system, they might retain all the advantages of land communism without discouraging individual effort. They assumed that to make the land private property was the only way out of the difficulty, and they acted accordingly. Fortunately they did not thus divide all the land, but left a great part common property, which they used for the purposes of grazing and timber supply, and for pleasure and hunting grounds.

Another forward step was taken. As the new inventions in the arts brought new wants, the islanders gradually ceased each making everything he needed. They divided the work according to their different tastes and abilities. They found that in this way, and by exchanging with each other their products, they could produce goods both in larger quantities and of better quality.

As the number of these goods increased, barter became very inconvenient. A producer having a commodity to sell

had to look out for somebody who not only needed such a commodity, but who also haply had something to give in exchange, that he (the said producer) needed. Too much time was lost in this way, and they finally agreed to determine upon one special commodity, which everyone should accept in payment, so that whoever wanted to sell anything had only to find somebody else who wanted it and who was willing to buy it with the special commodity, which they had agreed to use as *money*. As every islander had cattle grazing on the common, cattle were adopted as money. An average ox or cow was worth ten sheep. The island had the cattle currency. All commodities were sold for cattle. Men have a right to exchange with each other what their labor produces, and, though strictly speaking nature produced the cattle and also the raw material of their other commodities, yet their labor had a great share in this production. So it had in the improvement of land (they said when they tried to defend their practice of selling land like any other commodity); for in this case also had they not improved raw material and thus made it their own? With this reasoning they justified their trading in what was the free gift of the Creator. Very specious sophistical reasoning indeed! Whatever nature produced was produced in connexion with land. Land was the great storehouse, the great womb, from which everything came. The forces of nature could be used only through the medium of land. The sun could not make a plant grow if it was not planted in, or at least supported by, land. And the land of the island was limited. Not a single additional square yard could be created by the work of man.

His work might reclaim land from the sea, but the land was there before. Man in such a case would only have taken the water off which covered it ; and, besides, what could be reclaimed in this way was altogether too insignificant to count. It could not be denied that, after the land of the island was divided, those who had no land—and we shall presently see how it came about that the majority gradually came into this plight—were entirely dependent on those who owned the land. Life without land is as impossible as life without air and water. The answer might be made that the stock of raw materials is likewise limited, and that those who own this stock can lord it over those who don't. Theoretically this is correct, but practically it is merely a play with words, for the stock of raw materials is virtually unlimited. Most of them can be raised in any desired quantity, and even the minerals, which cannot be increased, are so plentiful, that for millions of years we shall not exhaust the stock. Coal might form the only exception ; but long before we shall have exhausted our stock of coal, science will have devised ways and means of getting along without it, as it has already partly done in our time. There is no doubt that the tide on our sea-shores will not for ever be allowed to roll its billows lazily along or to waste their immense power by dashing them against the rocks. The immense store of force thus wasted will be used to turn turbine wheels, by which immense dynamos will change this force into heat and motion. We shall heat our houses with the ocean tide, and the billows of the sea will light the student's desk and work the lathe and loom.

But suppose the stock to be practically limited and even

scarce, what does the argument amount to? That nobody has a right to dispose of it, unless authorised by his co-owners, the balance of humanity. Let us accept this conclusion, which would not at all be in the way of a just system for the use of land. We can permit our fellowmen to use a certain piece of land and to extract from it as much as they want, provided they pay as much into the common purse as anybody else is willing to pay for this permission. In this way they pay humanity's share, and can consider the result of their labor their own property. Humanity's share? Well, not exactly, we know, but practically as far as feasible. As long as the different nations prefer to keep each country for themselves and to let their neighbours do the same, we have no right to interfere; anyhow we have not the power. It may not be just that in one country the people are crowded while in another they have more land than they need. This injustice ought perhaps finally to be removed somehow through international clearing-houses. But let us be satisfied meanwhile if we succeed in establishing justice in each separate country first, and let us reject arguments tending to delay this justice until the whole of humanity can partake of it. Let us also consider that the natural value of land is the smallest item after all. Value exists only as a relation of material things to man; and the quality of man, as well as the work he does, is often of greater influence in determining the value of land than the quality and quantity of the land. This part of the value, which entirely depends on the action of man, can rightly be claimed by a special group of men, by a separate nation. Suppose land in Central Africa to be in every respect of

greater natural value than the land of Great Britain, so that the higher value of British land is evidently attributable to British activity and the lower value of African land to negro laziness. In this case I can see no injustice in the Britishers' refusal to divide their rental income with the negroes against a share in the African rent. I ask the reader's pardon for this digression, but let him consider that what fills only a page here filled hundreds of volumes in the island's literature, when the time came in which its inhabitants discussed the question of restoring the land to the people.

If this question had been only an academic one, I would not have spent so much time on it ; but it proved of ominous practical import, for after the new land laws had been in operation a short time, social equality in our island was a thing of the past. I well know there is no such thing as natural equality. Men are born unequal and will remain so all their lives and as long as this earth is inhabited by the human race. Nor is there any harm in this, as long as the inequality is limited to the mental and physical qualities and the temporary advantages gained thereby. It is different however when this inequality depends on other causes, when it is engendered and kept up by privileges which ought never to have been given. The most powerful of these privileges is land-ownership. As long as property consists only in perishable commodities, the power of wealth will perish with these commodities. Inequalities will soon right themselves. Human life will resemble an agitated sea. Billow towers above billow, but only for a passing moment will this supremacy last. A few seconds

later, and the water which was on top will be below, the water which was below will be above.

Even imperishable or almost imperishable commodities can confer no permanent power of domination as long as others can procure them with their labor or get along without them. Gold and silver could never have been the cause of permanent inequalities among men, if no special monopoly had been conferred upon them by law. But of this we shall have to speak later on. At the period of our history which I am now describing, permanent inequality rested on land alone. Anybody who had land could raise as much cattle as he wanted, and consequently had money enough. But land became so unequally divided that a minority of the islanders owned it all. On these the majority then had to depend for the permission to use as much land as they needed for their living. Without land no cattle (i.e. no money) could be produced. Social inequality had become permanent, just as the inequality of the waves would if they were suddenly exposed to a temperature of 200 below zero.

How had this great inequality of land-ownership originated in the island? Many causes had combined to bring it about. One man had many children, and when he died divided his property among them. Some of these, finding their share too small to make a good living on, sold their land and worked at some trade. Men who had been successful in making money bought the land from them. So they did also when a landowner got into debt through idleness, drink, or misfortune. Formerly the children of such a man, if they were free from the vices of the father, obtained as much land from the community as they needed

and soon were as well-off as others, but now they were poor landless people who had to work for others and very rarely got up again on the ladder of life. Another source of unequal division of land was the advent of a band of strong robbers from a neighbouring continent, who divided most of the land among themselves and made serfs of the people on it. Some historians think that these robbers were the only cause of landlordism in our island. They are mistaken, for long before the robbers arrived on the island land had become private property. They only despoiled the despoilers of the community, but they despoiled on a much larger scale. They did in one day what the slow but sure process of peasant proprietorship would only have accomplished in centuries, had it been allowed full play so long. Another way in which the foreign robbers and their descendants helped much to hasten the process of spoliation was the enclosure of commons, the last remnant of former rights of the people.

The appropriation of the common land gradually brought into the island a state of things up till then unknown. Its inhabitants might formerly have had to suffer want through bad crops, or through lack of sufficient land of their own, but in any case they could make a living. Those without land of their own found others who had more land than they could work, and who employed them. The common offered them a chance to raise some cattle, and cattle was money.* All this changed after the enclosure of the

* I well know that the introduction of metal money preceded the Norman Conquest by many centuries, but, though in general the history of Money Island is that of Great Britain, I must indulge in such liberties for the sake of greater clearness. This kind of indulgence may be found particularly illustrated in the ninth chapter.

commons and the forming of immense landed estates, especially as just about the same time the woollen industry took a great start, and it paid the landlords better to use the land for sheep grazing than to cultivate wheat and vegetables of any kind. Where formerly a hundred laborers found work, only one shepherd was needed. Though some of the displaced laborers found work in the factories, a great many of them could find no work at all, and tramped on the roads. And the very people who prevented them from finding work made cruel laws to punish them for their idleness.

The introduction of a prosperous industry certainly was a good thing in itself, but just as the multiplication of a plus quantity by a minus quantity produces a minus, so the wrong of allowing God's earth to be monopolised by a few made even good roots bring forth poisonous fruit. For the same cause another great improvement helped to increase the people's misery. The improvement was so important that we have to describe it in a special chapter.



CHAPTER III.

THE INTRODUCTION OF METAL MONEY.

The introduction of cattle money was a great improvement upon barter. But cattle money was not very convenient. Imagine a lady shopping with a herd of cattle behind her, or, if she was of a more saving disposition, going out leading an ox at the end of a halter, and returning home with a lot of sheep she had received as change. How much more convenient to pull out a purse and to pay with a few small coins, as our ladies are now in the habit of doing. We do not know exactly who first conceived the idea of using gold and silver as money. If it was not a lady tired of shopping with a herd of cattle behind her, the ladies certainly must have been the primary cause which led to the adoption of the new currency, for long before that time gold and silver had become valuable as ornaments. Besides being valuable, these metals had certain qualities that fitted them better for the money dignity than cattle, salt, shells and other things which had been used as money. These other qualities were that gold and silver were very durable, —especially gold, which is attacked by very few chemicals— and that both metals can be easily worked into any shape and weight. At first a fine pair of scales was required on the occasion of every purchase to weigh the precious metals, but finally, for convenience' sake, the metals were made into pieces of a certain fixed size and weight, and stamped

into regular forms with inscriptions denoting their money value. These were called coins. These coins gradually took the place of cattle, and finally became the only medium of exchange in the island.

As a medium of exchange they of course became a measure of value, just as the cattle currency had been. It is true, we can also say that all other commodities are a measure of value for the money commodity, just as they are measures of value among themselves, but the selection of one special commodity with which to compare all others was just as advantageous as the selection of one definite length to measure all other lengths with.

But all these advantages of the precious metals over cattle when used as currency were balanced by an immense danger they brought into the island. This danger was connected with their *legal tender* quality. I know there are people who contend that this quality is only a fictitious one given to money by bad laws and in no way inherent in money. Theoretically they are right, but it is perfectly impossible to get out of the difficulties of barter, to enjoy the full advantages of money, without an agreement to accept it for debts. Now I also know that the very people who declaim against the legal tender monopoly become quite frantic when they hear the word "debt." A debtor with them is always a poor persecuted being, a creditor a damnable plutocrat, They have never considered that exchange and credit are inseparable in a civilised community. Every exchange which is not made by giving with one hand and taking with the other, involves the process of debt and credit. If the consideration is handed over one minute after the com-

modity which it buys, it has been credited. The making of money legal tender did not forbid seller and buyer, creditor and debtor, to agree upon any other commodity to be delivered in fulfilment of their contract. It provided that where no such special contract was made, legal money should be supplied. It only meant to save the trouble of a legal agreement in every single business transaction. Legal tender was due wherever nothing else had been stipulated. Money was the element of certainty, which in most cases made trade on credit (which means the greater part of trade) at all possible, because only in exceptional cases could seller and buyer agree upon some other commodity ; and the legal tender law only meant to save the trouble of a special stipulation in every case. It might better have been styled "legal demand," because it proved to be more in the interest of creditors to demand legal tender than in that of debtors to tender it, for the great danger of the institution was the difficulty of procuring the money. This difficulty had not existed to such an extent so long as cattle was legal tender and so long as the common could be used by anybody for cattle raising ; for anybody could thus produce money. That was the only free coinage the world ever knew ; for what we call by that name is a very doubtful privilege. Nobody can make use of it unless he can first procure two comparatively scarce commodities : gold and silver, which can only be produced by a minority who have access to gold or silver deposits. Access to common land meant the power of free cattle coinage, and even after land was appropriated, the production of cattle was easier, and accessible to a greater number of islanders, than the production of

silver and gold would have been even if gold and silver deposits had remained common property. Almost none existed on Money Island, and only few people could afford to go to distant countries, there to engage in the mining business. Mining demanded the whole time of a man in special localities. Cattle-raising could be attended to in leisure hours and in any locality.

The scarcity of money did not matter much at first, for the common people produced as yet almost all commodities they needed, and barter obtained yet to a great extent, as it does even in our day in primitive communities. The Austrian poet, Rosegger, in one of his most amusing sketches, describes how the peasants, in his boyhood, produced their own raw materials, and how weaver, tailor, and shoemaker came to work and lodge in the farmhouses, being remunerated for their work with produce. People in Money Island only bought for money when they had some ; and, as rent even was paid in produce they could easily get along without money ; and money debts were scarcely known. Even the State did not ask for money, except in quarters where she knew she could get it. Taxes in the island were really levied in produce or services. But times changed. A new era came, to which we shall devote a new chapter.



CHAPTER IV.

THE LIBERAL ERA.

The new era, called the Liberal Era, was marked by great progress in education, in agriculture and the arts, in the science of government, in religion and in the way of living. Money had become more plentiful and its use more extended. The services and produce which the state and the landlords demanded, were commuted into money payments. The political orators of that time laid great stress on this immense progress, as they called it, and as it really seemed. The payment of a certain proportion of the produce as rent was a great obstacle to agricultural improvement. A farmer, who formerly had produced ten bushels an acre, half of which he paid as rent, could pay his way so long as he did not use any artificial manure and worked only with his own hands and those of his family. But how could he buy expensive fertilisers, engage laborers to improve his system of cultivation, pay interest for agricultural machines and costly buildings to double and treble his harvest, when at the end of the year his landlord demanded his half of the trebled harvest, though one half was all that remained after expenses of cultivation were paid? If our farmer had only to pay the same amount of produce he used to pay before, he would have been better off, for that would have been only one-sixth of his trebled crop and, after deducting this sixth from the half, we have left him one-third of the

trebled crop, or twice as much as he had in the old time. Money rents therefore took the place of payments in kind. This looked like a great step in advance, but it was the very reverse. The new rent no longer depended on the crop, as it would still have done if there had been demanded, instead of a fixed money rent, a certain proportion of the net income from the land. Whether the harvest was plentiful or not, or even if there was no harvest at all, and whatever prices the produce fetched, a certain stipulated amount of money was exacted. No wonder that immense debts originated in this way.

Another invention of the Liberal Era, or rather an improvement on old models, was the *mortgaging system*, which soon made the peasant-proprietor the tenant of the capitalist who had lent him money to buy land with, or who had helped him to pay off his co-heirs. The interest on the mortgages was due every year, and had to be paid in money whether this money could be obtained for the crop or not. The mortgaged freeholder was even worse off than the tenant farmer.

The great achievement of the Liberal Era did not stop here. It brought an immense amount of government debt, the interest of which had to be paid in money, and the money had to be raised by taxation. When the government of the island could not pay the interest, new loans were made. The interest dues, and consequently the taxes, increased.

Was there then nothing to put to the credit side of the Liberal Era? Of course there was, or it could not have held sway so long as it did. It had brought an immense

number of inventions, which substituted iron and steel slaves for human bones and muscles. It created a network of railroads and telegraphs, which made travel easy and cheap, which spread thought over the island with lightning speed. It abolished serfdom. It brought free trade and freedom of trade, and many other good things. But, strange to say, the people of the island were worse off than they ever had been. Their nominal wages were higher than at the beginning of the era, but the purchasing power of these was much less than the wages they had earned some centuries before. The common on which each family had kept a cow had been enclosed. They were huddled together in hovels, which formerly they would hardly have thought good enough for their pigs. The worst was that employment had become scarcer than it ever had been, and consequently the dependence of labourers on employers had made them less free than the serf, their ancestor. *Over-production* was a general outcry, and *over-population* another. Strange companions these two! Over-population meant that the island had become so crowded through the increase of population that it had become impossible to produce enough means of subsistence for all inhabitants. Over-production meant that so much means of subsistence was produced that it had become impossible to get rid of the supply. Now you may think that I am one of those travellers, who, when they come home, fill the world with all kinds of strange tales, their own inventions, for you cannot conceive such foolishness possible. But I assure you I am telling the plain and unvarnished truth. There was not a single product of labor, from food, clothing,

and other necessities of life, to the products of art and to the most refined luxuries, with which it was not alleged by the producers the market was overstocked as never before. These people tried to discover new islands, to find somebody who wanted their goods ; and yet at their very doors were millions who suffered for lack of these very things which, according to the general complaint, could not be got rid of. And these needy millions were spoken of as forming the over-population of the island. A priest even wrote a book in which he claimed to have discovered a natural law that explained the situation. Population, according to him, always tends to increase faster than the means of subsistence. And other writers complained of production outgrowing the demand, which of course meant that the means of subsistence grew faster than the population who wanted them. "A mad world, my masters !"



CHAPTER V.

THE CAUSE OF THE "CRISIS."

Lack of employment was easily explained when the large landholders drove the peasants from their land to turn it into sheepwalks. And even then it was only explainable on the supposition that a part of the rich landlords' income was spent out of England. If they had spent this income at home and for home-made goods, there would have soon been a self-adjustment. The displaced agricultural laborers would have taken to wool spinning and weaving or to making other industrial products demanded by the landlords. But when the wool went to Flanders to pay for pictures of Dutch masters or for foreign wars, no work could be found for poor Hodge. The time had come at last, when ease of communication and quick interchange of commodities between the different countries, while it checked work in one department, created it in another, when imports and exports balanced each other in the long run ; and yet the unemployed in the island had increased quite enormously. The old explanation did not hold good any more. A new one had to be found. And it was found by carefully following the course of circulation. It is evident that if the rich had consumed their incomes there could have existed no want of employment. There might have been too many workers in one branch, but this would have been compensated by a short supply of hands in another ; and though considerable

distress might exist during the transition period, until a re-adjustment had taken place, this re-adjustment was bound sooner or later to be effected. A crisis such as the island now experienced would have been impossible. There had been crises before, through over-speculation, wars, revolutions; but they had been soon followed by periods of greater activity. A crisis like the present one, which with short interruptions—and even these were times of crisis for the workers, for even then all could not find employment—had lasted over 20 years at the time we are writing of, had never been witnessed. It is also evident that if the rich had spent their incomes, there might indeed have been unheard-of luxury among a minority, but there could have been no distress among the workers, who would have been fully employed, and by strikes and other methods could have taken pretty good care of themselves, unchecked by any reserve army of unemployed to prevent the victory of the strikers. It was certain that the income of the rich was not being consumed. In fact a consumption of such immense private incomes as then existed on the island was quite impossible. But what were the rich doing with their incomes? Did they invest that part which they did not consume? Certainly. The only question is how they invested it. They could not be investing it in machines, ships, houses and other products of labor, for that would have given employment. It would have mattered little if the new machines could find nothing to do, because the products of the old ones were sufficient to cover the demand. In such a case the investment would have been a losing one. The rich who had made them would have consumed machines in-

stead of oysters and champagne, but want of employment could not have been the result. Or the new machines could have been set to work by selling their products cheaper. Even this would not have done any harm, for at the lower prices the demand would have increased, because the purchasing power of the people had become greater. It was evident that these were not the investments made by the very rich ; and in fact these men were a great deal too smart and knowing to invest in such risky things. Let us see what they really did with their savings. In the first line they demanded legal-tender money from their debtors. Some were able to pay this money, but many were not so lucky, for the money on the island did not suffice to pay more than a fraction of the debts. It was not even plentiful enough to pay the interest and rent due in one single year, not to speak of the principal. It was calculated that these two items alone amounted to about four times as much as the total of the money stock of the island. The debts due in one year amounted to a sum at least ten times as great as the money stock, and the total of the debts to about forty times as much. And this leaves entirely out of account the money required for daily circulation for the exchange of commodities. But, you will ask, how could the debtors pay money which did not exist, and if they did not, how was general bankruptcy prevented? How could it be staved off one single year?

In a very simple way. The creditors really did not care for the money. They kept in stock only a small fraction of it, with which they bought the commodities they wanted to consume. The balance had value for them only in so far

as they could provide for future consumption by keeping it in their strong boxes, had they needed it for that purpose. This however was not the case, for they knew that every year new debts became due to provide for their future wants. But there is a providence for the rich. It has instituted wonderful laws, which govern the whole universe, holding it in a solid chain the rings of which are called cause and effect. Now the very cause which had made money so scarce (*i.e.*, so scarce in relation to the money engagements, the debts) naturally made debtors anxious to obtain the money they owed; and the very fact that so much more was needed than really existed, caused a wild struggle for the yellow and white metals. This not only enabled those who owned these metals to demand high premiums, or what amounted to the same, to depress the prices of all other commodities which the debtors so eagerly sought to exchange for money, but—what was worse yet—it gave to the capitalist the power to ask usury for the loan of this money, or rather for the extension of the debts. If they loaned a hundred gold pieces, or put off their claim to that amount, they wanted 105 at the end of the year, though they well knew that gold is no hen or goose that it should lay eggs. It does not breed. They did not use the harsh word “usury” as long as this percentage they asked did not exceed a certain limit. They had coined a better-sounding word for it: “Interest.” Yet they ought to have known that even moderate interest could never be earned if it was allowed to accumulate. A simple arithmetical table might have taught them this. They all knew the famous arithmetical example of the penny supposed to have been

put out at compound interest at the birth of Christ, which penny, though only five per cent. were taken, would by this time have grown to some enormous number of globes of solid gold each as large as this earth. Yet these people were expecting compound interest for the millions which they collected every year for their interest dues and put out again at interest. The penny could not have remained so long invested at compound interest, because the bankruptcy of the debtors would have liquidated the account long ago. A like result was bound to take place on the island if things had gone on as they did for a few years.*

The worst of it was that the investments made by these capitalists did not give any opportunity to make money, for they were nothing but new interest claims by which not a single worker was set to work. The capitalist took new mortgages, bought new land, government bonds issued to pay the interest dues of governments,† and other values which have this in common that they are no product of labor but mere tribute claims. Their capital value depends on the price which the market pays for these claims; this price depends mainly on the security of the claim, which in

* The inevitable nature of this consummation was veiled by the fact that it was actually occurring piecemeal throughout the capitalist (Liberal) era, the interest and even principal constantly being annihilated through business failures, mortgagees' sales, unsuccessful ventures, depreciation of stock, bad debts, etc., amounting to several hundred millions annually; in some cases, such as the Liberator failure, the Panama fiasco, etc., many millions being lost in one crash.

† According to the tenth Census of the United States the average annual increase of national debts of leading nations has been £97,867,016. This amount is just half the yearly interest due, which in this way is paid with new debts.

the first place determines the rate of interest at which claims of this nature are sought after.

As a typical case I will give you that of farmer Bucolicus, who had inherited a tract of land, and who, to pay off his brother and co-heir, had given Plutus a mortgage on the farm. The sum borrowed was £1,000, and the rate of interest five per cent. As his father had just managed to make a living on the farm, and times had become worse, it was quite natural that Bucolicus could not earn the £50 extra a year to pay the interest due to Plutus. But Plutus was a very rich man, who did not consume one tenth of his income, but invested the surplus in the same manner in which he had invested it in this case. He took mortgages on farms. As the farm of Bucolicus was worth at least £3,000 he did not mind the interest accumulating from year to year, until at the end of 14 years another £1,000 had become due, well secured on second, third, and fourth mortgages which he had taken meanwhile. This £1,000 of new capital had come into the world without anybody doing a day's work for it. It was nothing but a new claim which had arisen because 14 years had gone round, and this new claim meant that from now to all eternity Plutus was entitled to a further annual tribute of £50, which he was to consume just as little as he had consumed most of his former income. Bucolicus now had a debt of £100 yearly, which proportionately decreased his purchasing power in the world's markets. He had to reduce his standard of living, which meant he had to stop buying a great many things that afforded employment to other people, and Plutus did not make up the deficit by increased purchases. On

the contrary he only increased his savings, consequently his investments of this kind and the tribute claims, thus reducing still further the purchasing power of the debtors, without letting his own purchases take the place of the purchases they were no longer able to make.

The indebted producers tried every possible way to get out of the death-trap they had got into. They invented new labor-saving machinery and more economical methods of manufacture. In such ways one or other of them would find his way out, and here and there even perhaps become another Plutus. But the new machines and processes made matters worse. Though consumption increased, it did not increase fast enough to keep up with the productive power of the new instruments of production. It could not, for the debts increased rapidly from year to year. The debtors had to reduce their purchases, while the creditors did not increase theirs in proportion. In this way the new inventions only served to hasten the process of throwing more and more workers out of work. The crisis had thus reached a fearful height at the period we have arrived at. It would have been worse yet, if the poor laws and private charity, by maintaining most of the unemployed, had not in this way increased consumption and provided employment for those workers who produced what was thus consumed.

CHAPTER. VI.

CAPITAL.

A GREAT deal of mischief had been wrought by the absence of any clear perception by the popular mind of the enormous difference between two things that go by the same name : "Capital." Socialists declaimed against Capital as the spider sucking the life-blood from poor fly Labor, which in vain tries to escape from its net. Other speakers answered by vaunting the blessings which Labor owes to poor calumniated Capital. Both parties were right and both were wrong. They attacked and defended *two entirely different things*, bearing, nevertheless, the same name. The one attacked claims upon the fellow-man's labor, obtained through the agency of iniquitous laws. The other defended the most fruitful of labor's products.

To avoid this confusion of things that differ, I say SPURIOUS CAPITAL, when I mean the so-called capital which consists of *tribute claims* and which is not a product of labor. When on the other hand I mean machines, tools or any other product of labor used for production, I say REAL CAPITAL. The capitalists of Money Island, when they wanted to make any new investments, looked out mostly for spurious capital.

To give a conspicuous example of the kind of capital they wanted, I mention some waterworks, which had been put up in the metropolis of the island. In times gone by, when

the city was as yet very small, a privilege had been given to a company called the New River Water Company to put up water-works. Their charter empowered them to extort from every user of water a water-rate, which stood in a certain proportion to the house-rent. As the house-rents increased enormously with the growth of the city in size and wealth, the water-rate grew with them. The privilege thus became very valuable, for the pay was a great deal in excess of the cost of the service rendered. As a consequence the shares of this company rose enormously in value. A single £100 share was once sold for £95,000. Now the value of products of human labor—pipes, taps, buildings, reservoirs, etc.—owned by the company certainly did not exceed £5,000 a share. Up to that amount, perhaps, the shares were certificates of ownership of real capital. The balance of £90,000 consisted of land owned by the company, and of the value of the monopoly. Land is no real capital. Man did not make it. Its value depends on the tribute that can be extorted from land-users. The value of the water monopoly was the value which the exclusive privilege to extort certain tributes from water-users possessed.

Such claims, in fact all such tribute claims, which constituted the spurious capital of the island, were limited. They were limited by the tribute-paying capacity of the people and by the power of obtaining the legal right to extort the tribute. Land, at the time we are speaking of, was the principal object on which the tribute-claims rested, as the people could not possibly live without land, and so of course could be compelled to pay its owners heavily for

the use of some. Government debts came next in importance after land. The value of this spurious capital was based on the power of extracting interest from the people in the shape of taxes. These debts were hardly capable of further extension, since, as the taxes were levied mostly on industry and commerce, they were already almost unbearable. In short, the spurious capital of the island was all taken up, and more was wanted every year as the interest on this capital became due and as its owners looked out for new investments of the same kind for their unemployed interest. The interest due in the whole world in a single year amounted to 500 millions sterling. It was no wonder the great capitalists bade each other up in bargaining for this kind of investment, or offered a lower rate of interest, which amounted to the same thing.

We have seen how the debt of poor Bucolicus had increased from £1,000 to £2,000; but I forgot to tell how his interest debt, which had gradually doubled, became slightly reduced after it had arrived at £100, because a great many friends of Plutus looked out for good investments of this kind and offered to pay him off and to take the mortgage at a lower rate, at 4 per cent. instead of 5 per cent. In this way Bucolicus owed only £80 a year instead of £100; but this £80, mark you, was £30 more than the original debt. Yet there were people who called this easing Bucolicus's burden and the gradual equalisation of wealth! The lowering of the interest rate followed only upon an increase of the interest debt, up to the utmost limit of the workers' endurance. This increase of the burden on industry and commerce naturally aggravated the crisis, and

so the risk of business investments became greater ; consequently the premium of risk for loans increased. In other words, the lower interest proper—the interest on safe spurious capital—went down, the higher rose the interest paid for real capital. In the metropolis the capitalists offered money on call (temporary investments on best security) at $\frac{1}{2}$ per cent., because they could not find spurious investments as fast as they wanted them, and meanwhile wanted to get some interest rather than let their money lie fallow. In this very city merchants paid up to 5 per cent. discount to customers who paid cash instead of buying on three months' credit, which means 20 per cent. a year. Here we can see the difference between interest proper and the interest really paid by the workers directly or indirectly.



CHAPTER VII

THE COUNSELLORS.

WE must not imagine that there was any want of well-meant advice on our island. The fact is there were more counsellors than was good for the people. Let us listen to a few of them.

THE FRIENDS OF PEACE.

These estimable men and women deplored the terrors of war, and they felt sure that if once the burden of militarism were taken from the shoulders of the nations, all would go well. When asked how they expected an improvement in the main point, in the chances of employment, when a few million more strong and hearty men increased the number of the producers or would-be producers, they replied that these men would consume as well as produce. True; but would they consume more than now, when the average consumption of and for every soldier, found by dividing the war budget among the number of soldiers, amounts to more than the average consumption of an unarmed citizen? "No; but the people who paid the taxes for the war budget would consume more, and thus would use the goods produced by the ex-soldiers." But would not the remission of these taxes raise rent, and would it not also increase the power of the people to pay more interest? Our friends acknowledged that this could not be denied. Well, in that case, and also because a part of the taxes is saved by the

millionaires, the incomes of these men would further increase, and so would that part of these incomes which is neither spent for consumption nor for the manufacture of real capital, but simply for the further increase of the millionaires' tribute power. Would this not aggravate the crisis? Silence on the part of the friends of peace.

TEMPERANCE PREACHERS.

Admirable people, with one of the best causes in the world, but of very little use in this discussion. Temperance will save money, and thus will increase the tribute-levying power of those who take all that is left. Saving under such circumstances may make matters worse. The temperance men of the island helped reform in one way, however. They increased the army of good men, men with their wits about them, through whom the real reform was attained.

LAND NATIONALISERS.

They were on the right track, for nothing could be done without reconquering the land for the people; but would that all at once have broken the money power? It would have sapped one of the main supports of Interest:—Private Rent; for as long as capital could be invested in land, as long as it could buy Rent, nobody would lend capital without getting the equivalent of Rent: Interest. But as long as metal legal-tender money existed, Interest could not disappear, and the crisis had to continue. The only question was whether it would be easier to attack the money fetish from the fort of free land, or *vice versa*. It was simply a question of tactics, and when we come to see how the reform was effected, we shall see that the land nationalisers did a great part of the work, but that the

money reformers did more, and brought about the reform much faster than it could have come the other way.

THE SOCIALISTS AND ANARCHISTS.

To all appearance antagonists, and yet not so far apart as it seemed. The Socialists leaned too much towards the omnipotence of the State, but nothing in their programme prevented their State from consisting of an agglomeration of associated groups, the very thing the Anarchists wanted. On the other side it was to be seen whether the Anarchists' hatred of the State (not at all unjustifiable when the existing State was meant) would not undergo a great modification in a State socially reformed. As usual, both schools went to extremes. The Socialists did not quite understand the problem. They attached too much importance to the organisation of production. If they had studied the problem more closely they would have found that they could have left production alone, if they had only taken care of distribution. We shall perceive this more clearly when we see how the reform was brought about. The Anarchists went a great deal too far in their hate of majority rule. The existing chaos, which State regulations had helped to bring about, blinded them completely to the necessity of something more than free untrammelled individualism. They did not see that post-offices and telegraphs, as well as a great many other good institutions, could never reach their full efficiency but under monopoly.* The worst of it

* The weakest of their theories was that about land distribution. As land belonged to no one, every one, according to them, ought to take for use whatever land he needed. They did not see that the injustice of some having the use of land of better quality or in a more advantageous position, while others had to rest contented with inferior

was that both parties were extremists, and extremists are good enough as a compass to indicate the direction where the goal can be found, but they never are good guides on the path which leads to the goal. Paths hardly every run straight all the time. In making them the inequalities of the ground are taken into account. Men are the foundation over which the path of reform has to be built, and all men are not of the same material. The path of reform thus leads through very uneven ground. Here it has to get around the bog of prejudice, there over the hill of egotism and ambition. In another place a tunnel has to be dug through the rock of conservatism. Bee lines are impossible anywhere.

THE BIMETALLISTS.

I have to devote a little more space to this peculiar class of reformers. To understand them and to comprehend how it was they attained considerable influence in the island at the time at which we have arrived, we must go back a little way in our history.

We have seen that both metals, gold and silver, had been used as money. In the beginning it was left to the people in which metal they should stipulate payments, but finally both metals were made legal tender in a certain relation of value. Gold was treated as equal to $15\frac{1}{4}$ times its own weight of silver. Finally gold was made the sole currency in most countries, and silver was used only as change. Our island had adopted this system some time back.

land, could best be done away with by letting everybody pay to the community the full rental value of the land he used, and getting back, as a member of the community, his share of the rent total.

Now a party had formed who pretended that this monometallism was the sole cause of the crisis, and that a return to the old system would bring back the old prosperity. The question is interesting enough to claim a special chapter.



CHAPTER VIII.

MONOMETALLISM AND BIMETALLISM.

The main argument of the Monometallists, or "gold bugs" as some called them, was that it is impossible to have two different commodities as measures of value. One of the two becomes a merchandise with a varying price, only one of them is really money. Therefore as gold is best adapted for money use, being less voluminous, gold alone can be money. The best proof of their theory, they said, was found in the fact that silver had gone down to one half of its former price in the last years in consequence of decreased cost of production. No human law could make a commodity worth more than it costs. If silver became legal tender anywhere, it would simply drive the gold out of the country, and prices would adjust themselves to the value of silver. Such a country would possess all the disadvantages of a paper money country, for in its dealings with the rest of the world it would have to adjust its prices all the time, so that every business transaction would necessarily become a speculation. No manufacturer for instance would know whether, when his goods were ready for sale, the price of the raw material had not gone down in consequence of a rise in the silver price, so that his goods would have cost him more than they would fetch in the market. If the quantity of silver did not exceed a certain amount it might be kept afloat without driving gold away, but in that case it would be

simply like paper money printed on an unnecessarily expensive material. That, however, was not what Bimetallists wanted. They insisted on free coinage for both metals, which was inconsistent with any limiting of the issue of silver coins.

Now in one point these men were right. No single country could have carried through Bimetallism. Any single country attempting this would have driven gold away to countries where it would buy more silver than the law of the Bimetallist country stipulated. Gold would have become a commodity in this country where more silver was paid for it than the legal relation demanded. Such Bimetallists at any cost did not exist in our island. They only were found in a distant country, which had a great many silver mines, whose owners cleverly made use of the bad times to make the people believe that business would improve as soon as they made silver legal tender, independent of what other countries did. It would certainly have been a good thing for them, and also for the debtors, whose debts would have diminished in consequence of the reduction in the value of money.* We have nothing to do with the arguments of this class of people. Self-interest blinds any man and leads him to proclaim the strangest theories, and even finally to believe them himself. We only want to investigate the state of affairs as it would have been if an international agreement had made both metals legal tender, with free coinage for both at a certain ratio. (Let us

* The reduction of the debts would have brought about an improvement, but only temporarily, as we shall see when we come to the paper craze period, in which similar cases produced similar effects.

say of 1:16.) We know that those who are ignorant about the formation of prices of the precious metals will not believe such a ratio possible in a time when the market shows a ratio of 1:32. They do not know that the prices of gold and silver depend on the *cost in the least productive mine yet worked*, (Ricardo's law,) and that the level to which mining descends (i.e., the degree of productivity which a mine must possess as a minimum so as yet to permit its being worked) depends on the quantity which is demanded by the markets at cost price under the most unfavorable conditions. To find this level we therefore have to investigate what quantities the market demands under Monometallism and under Bimetallism.

Under Monometallism gold only is demanded for money purposes, and the lowest level of productivity which a gold mine has to possess to permit its exploitation must yield to labor and capital engaged in this exploitation the average earning obtainable elsewhere for similar work. This level depends on the purchasing power of gold. As this purchasing power has increased in consequence of gold monopoly, or other causes, a lower level has been reached. This means that mines which formerly would not have paid have been opened; and other mines which formerly paid no rent do so now; and others which paid rent pay a higher one now. On the other hand the demand for silver has decreased since its demonetisation, or anyhow the demand has not kept pace with the supply that could be obtained without going to a lower level of productivity. In fact mines of the old level had to be abandoned because the demand was supplied from a higher level, which means by silver

of less cost of production. The present price of 32 : 1 as compared with gold, means that 32 pounds of silver taken from the worst silver mine yet exploited yield as much to labor and capital as one pound of gold taken from the worst gold mine yet exploited. This is the state of things under Monometallism. Now let us look at it under an international treaty strictly kept, fixing the relative value of gold and silver at 1 : 16, with free coinage for both metals. In this case the *level of exploitation* of mines would so adjust itself that the least productive gold mine would furnish one pound of gold at the same cost at which the least productive silver mine would furnish 16 pounds of silver.

This is the natural result of the indubitable fact that, though originally it was their mercantile value which caused the adoption of the precious metals as money-materials, their money monopoly has gradually become the chief factor in determining their commercial value. If gold was demonetised to-day, its value would sink considerably. The lower price would so raise the level of exploitation that only the very best mines could be kept in operation. The remonetisation of silver would so increase the mercantile value of silver that the level of exploitation would considerably sink. Where this level would finally be found for both metals after an international treaty had fixed their relative ratio at 1 : 16, it is impossible to say. If the quantitative theory is correct (i.e., if the value of money depends on the relation of its quantity to that of other commodities) the price of gold would certainly go down, the price of all other commodities would go up. Silver would

rise, which would cause the opening of many new mines, whereas a great many gold mines would cease paying and others which yield rent would no more do so.

But is the quantitative theory valid ? It certainly is not as often worded, but it is unquestionable if we extend its meaning as it has to be extended—if we do not compare the quantity of money with the quantity of commodities to be exchanged against money, but with the demand for money in general. This would also include the demand for debts, and not only for debts actually due, but also of debts yet running, and these debts include the whole amount of money representatives, or substitutes.

One of the strangest facts in this whole controversy is that money representatives instead of fortifying the quantitative theory have been the weapon used against it. The fact that at least 99 per cent. of business is done with money substitutes or representatives has inspired the antagonists of the quantitative theory with the conviction that the quantity of money has nothing at all to do with the price, that a single gold piece would be sufficient to serve as a standard of value so long as business was transacted by money substitutes. These good people never for one moment inquire into the nature of money substitutes or representatives. They forget that they are *not money*, but mere *money debts*, for which money can be demanded at any time, if they are payable at sight like banknotes, cheques, sight drafts, treasury notes ; or after a certain time, if they are drawn so as to be due on a certain date, like bills of exchange. All these papers resemble a kite, which calmly floats in the air, like a bird with outspread wings, as long as somebody holds the

string and the wind blows. Let the string be cut, or let the wind drop, and what just now acted like a bird falls down a piece of valueless paper. As long as the security (the string) of the money representatives is unquestioned, as long as the wind of credit inflates it, the money representative sails along doing the services of real money, but as soon as the string and the wind fail, it falls down and becomes worthless paper. German *bills of exchange* afloat at one and the same time are estimated at 250 million pounds, the stock of German gold amounts only to 125 millions at the most, to which 45 millions of silver may be added. The bills of exchange alone would absorb more than the total of the money stock. *Money representatives* are nothing but a *form of money debts* to be added to the others. If in any of our civilised countries, the creditors of these and the other debts would stop renewing, all the money would get into their hands within three weeks, and there would be nothing left to pay the balance of the debts as they became due from week to week, nor would there be a penny left for circulation. In the United States such a moment was foreshadowed in 1893, and the bankruptcy of the whole country was avoided only because the New York banks agreed to accept the cheques certified by the clearing house as cash money, and through threats and persuasion succeeded in making their creditors accept these cheques and not insist on real money.

We have seen in the history of our island that the knowledge of this dependence upon the owners of real money, of precious metals, had made the islanders tributary to the money lords, and had pressed down the prices of products and services. Those who controlled the money stock

extorted immense amounts of interest, increasing from year to year through compounding. This increase, in the whole world, at the period we have arrived at, actually exceeded 500 millions sterling a year. Of course the increasing supply of money would press down the rate of interest, and thus finally decrease the annual deficit; but it will hardly disappear as long as private rent exists, and only its disappearance can do away with the power of the land and money lords to press down prices. It is therefore questionable whether the opening of all those silver mines, which would pay in consequence of the new international treaty, would have the effect of materially increasing the price of commodities, though it might prevent their further depreciation. Consequently it is possible that no gold mines would need to be abandoned, and all silver mines might be exploited which could be worked on a paying basis. This basis exists as long as 16 pounds of silver cost no more labor and capital than one pound of gold in the least productive mine yet worked. All mines in which 16 pounds of silver cost less than one pound of gold in the least productive mine yet worked, would yield rent. A mine which yields 32 pounds of silver with the same expense of labor and capital which one pound of gold demands in the least productive mine yet exploited, at present pays no rent, but would then pay a rent of 16 pounds of silver for every 32 pounds got from it, or one pound in every two—a splendid result for owners of silver mines and an incitement to appropriate all mines before the law is passed, so as to let the State, and not private individuals, profit by the values created through such a law. Otherwise the number of the

rich and the extent of their wealth would only increase faster ; and the crisis would thus become still more acute.



CHAPTER IX.

THE PAPER CRAZE.

I am very sorry that the history of our island does not offer an opportunity of testing, by actual experiment, the effects of the different remedies proposed and discussed in the preceding two chapters, but neither of the parties which respectively advocated them gained a working majority. Before we go on, however, I must give the history of an advance in money matters, which I have already referred to in the last chapter without giving a record of its origin and gradual evolution. I mean the history of money representatives or substitutes.

In the time when gold and silver were both used as money, people often found it very inconvenient to handle these heavy metals, and they began to deposit them in vaults kept by responsible parties, who gave them receipts for their deposit ; which receipts passed as money, because people knew that they could get the metal at any time. These receipts gained such favor that they often realised a premium, for they not only saved much handling, but they lessened the danger of robbery because they could be stored away in less space. Also security was given that the metals were of a certain stipulated alloy, which all coins ought to have been but through the thievery of governments often were not. The bankers, as those people were called who kept the vaults, obtained a commission for the service they performed, but though this was a good profit, they wanted

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drew in paper, and paid interest for £400. Sometimes the bankers failed, and then the depositors and also the holders of the paper lost their money ; but new banks were opened and obtained customers all the same, for the paper money was too convenient to dispense with. This provided an argument to the Bimetallists, which I did not mention in the last chapter. When their antagonists declaimed against the clumsiness of silver money, they said that experience had shown that most business was done through *paper money*, and that it was better to have paper money guaranteed by silver deposits than paper money without this guarantee, with perhaps only one third of gold behind it, as had become the practice in some banks. Actual cash money was only needed as change for which silver was even better than gold.

About that time something happened on another island called Guernsey, which afforded subject for thought to the people of Money Island. A markethouse was to be built. Instead of borrowing the money at high interest from the money lords, the governor issued paper notes and with them paid the artisans who built the market. These notes were to be accepted for the dues demanded for the use of the market house ; and meanwhile everybody on the island accepted them as money, until they had finally all been paid in dues and thus cancelled. If money had been borrowed, the whole debt might still have been due, the income perhaps having paid nothing but the interest due to the money lenders.

But the inhabitants of Money Island could not see that while the money for a markethouse might be obtained in this simple way, the money for all public works could not

be likewise thus obtained. Suppose the people of Guernsey had wanted to build railroads, schools, and other public buildings at the same time they built their market house, and had tried to do it in the same way by issuing scrip, and that the amount of scrip thus issued had surpassed the needs of circulation, what would have happened? To answer this question we must first find out what the needs of circulation are. Circulation requires just enough money to enable every one to supply his daily wants according to his income, and so far as he wishes to spend his income. To how much a head this amounts depends on circumstances. In the first line, on the size of incomes and the saving disposition of the people; in the second, on the business habits, i.e., on the extent to which money representatives, cheques and bank-notes for instance, are used. But will not more money increase the incomes and the quantity of purchases by increasing circulation and doing away with those artificial bars to free production and free trade which are the cause of the crisis? Will not this very effect have its influence on the cause, i.e., increase the volume of money capable of being kept afloat? Cannot, in fact, any amount be thus kept in circulation, so that interest and the crisis shall completely disappear?

If interest would really disappear the effect could be produced in reality; but interest will not be done away with in this way; and because interest will not thus be done away with, the whole scheme falls through. Interest cannot disappear so long as land, and consequently rent, can be bought (no matter whether the purchase is direct or indirect, in which latter case it takes the name of mortgage).

No capitalist will lend capital free of interest so long as he can obtain interest in the shape of rent.

We shall presently see that this simple fact rendered impossible an extension of the Guernsey experiment, or anyhow would have deprived such an extension of all the advantages expected from it. The course of events in Money Island furnished the proof.

The agitation for State paper money without any metallic covering grew from day to day. The Guernsey experiment had taught a great lesson.

Formerly the people had believed that money was bound to be a commodity by the value of which all other commodities were measured. Now they found that something could serve as money which was no commodity at all, but only an ideal measure with which commodities were measured.

One of the islanders, Sir James Stewart, said :

"Money which I call *of account* is no more than a scale of equal parts invented for measuring the respective value of things vendible. Money of account is therefore quite a different thing from money coin, and might exist although there was no such thing in the world as any substance which could become an adequate and proportional equivalent for every commodity. Money of account performs the same office with regard to the value of things that degrees, minutes, seconds, etc., do with regard to angles, or as scales do to geographical maps, or to plans of any kind. In all these inventions there is some denominator taken for the unit. In angles it is the degree, in geography it is the mile, in plans foot and yard, in money it is the pound, livre,

florin, etc. The degree has no determinate length, so neither has that part of the scale, upon plans or maps, which marks the unit, the usefulness of all these being solely confined to the marking of proportions. Just so, the unit in money can have no invariable determinate proportion to any part of value; that is to say, it cannot be fixed in perpetuity to any particular quantity of gold or silver, or any other commodity. The value of commodities depending upon circumstances relative to themselves, their value ought to be considered as changing with respect to one or another only; consequently anything which troubles or perplexes the ascertaining of these changes of proportion by the means of a general and invariable scale must be hurtful to trade, and this is the invariable consequence of every rise in the price of money or coin. Money, as has been said, is an ideal scale of equal parts. If it be demanded what ought to be the standard value of one part, I answer by putting another question: What is the standard length of a minute, or a second? None; and there is no necessity for any other than what, by convention, mankind thinks fit to give. The first being perfectly arbitrary, people may adjust one or more of these parts to a precise part of the precious metals, and so soon as this is done and that money becomes realised, as it were, in gold and silver, then it acquires a new definition, it then becomes the price as well as the measure of value. It does not follow from this adjusting of the metals to the scale of value that they themselves should become the scale."

Another islander, J. R. McCulloch, said:

"Products are not then exchanged for money because it

is a commodity which may be advantageously used in the arts and has cost a certain quantity of labor, but because it is the universal equivalent, or legal tender, adopted by the society and will as such be willingly received by every one. The remark of Anarchisis, the Scythian, that gold and silver coins seemed to be of no use but to assist in numeration and arithmetic, would, if confined to a limited currency, be as just as it is ingenious. Sovereigns, livres, dollars, etc., would then really constitute mere tickets or counters for computing the value of property and transferring it from one individual to another. And as small tickets or counters would serve for this purpose quite as well as those of gold, there can be no doubt that by sufficiently limiting its quantity, a currency, though destitute of intrinsic worth, may be made to circulate on a level with gold or silver, or higher, if it be desired."

Ludwig Bamberger, one of the greatest scholars in this field, says in *Die Volksbank von P. J. Proudhon*, 1849: "Money, as a means of exchange, need not have any other character than that of this *mutual acceptance*; . . . a money which purely answers its destination to be a tool of circulation and not an independent value."

What else is the Russian Ruble? Is it anything but a mathematical x which measurns the value of all commodities?

These teachings had their effect. It was decided to imitate the Guernsey experiment on a larger scale. Railways, canals, school-houses, theatres, ports were built and paper money was issued by the government to pay for them. Whereas the old paper which was issued by the bankers was redeemable in gold, the new paper was only accepted

in payment of taxes, railroad fares, port and canal dues, in short, as payment for the use of all these public improvements which had been made with the new money. In the beginning all went well, just as it did in Guernsey. Prices remained stationary, and the want of silver and gold was soon supplied by the new currency. It was a great improvement on the money representative, which had been used up to that date, for the money representative, or substitute, whether it was a bank note, a treasury note, a cheque or anything else, was no money, but only a claim, for which money could be demanded at any time. That it was not demanded in ordinary times, but that renewals and compensations took the place of real cash payments, did not change the fact that money *could* be demanded; and this fact, as we have seen, gave an increased levying power to the owners and controllers of the money stock. The new money, so far as it only took the place of the old and of its representatives, wrought a great improvement. It saved the labor of digging almost useless metals out of one earth hole to put them at once into another, viz., into the vaults of the banks.

Soon however the amount of paper issued by the State exceeded the needs of circulation. The builders of railroads, bridges, ports, etc., who were paid with the new money, paid their debts with it, but finally they had more money than they needed for a time, and so they looked out for interest-bearing investments. Business was brisk because the public improvements kept everybody, who wanted employment, busy. Wages rose rapidly, for there was no reserve army of unemployed to prevent the success of strikes,

and higher wages meant increased consumption. Increased consumption opened the way for new production. Many debts were paid back, and the number of those who had earned more than they wanted forthwith to spend increased. The demand for interest-bearing investments grew rapidly. The smaller capitalists managed to lend their money to workers who needed capital to enter into productive enterprises on their own account. The millionaires found this too risky. It was easy enough for the small capitalists to superintend investments of this kind ; not so, however, where millions were put out. Government bonds were scarce, for no new ones were issued and the old ones were all taken up. The millionaires had to look to *land* and foreign investments. Naturally their bids made the prices of land rise, and their foreign investments drained all the gold from the island. Imports would not have done it, for they were paid with exports ; but the investments in foreign bonds and foreign land soon deprived Money Island of the last gold coin. Not that this mattered much, 'for, though gold rose in price, its rise need not have had any effect on the prices of other commodities, and gold was a commodity which was so little needed that the price affected very few people. Substitutes were found. But the rise of land prices was quite another thing. *Nobody could live without land.* Land, the source of all food stuffs and raw materials, was the foundation of all production, of all work. As a consequence, prices rose all round ; or, in other words, the new money depreciated. Though this benefited the debtors, new debts had to be made in consequence of the rising prices of land ; and the capitalists would not lend unless gold was promised or

enough paper money to buy gold with. Land and rent prices rose all the time, and the purchasing power of the paper diminished in consequence. New money was issued, but it soon found its way into the hands of the landholding capitalists, who lent it out against high interest. The people soon found out the truth of the facetious German saying: "Money does not afford happiness unless you have got some." It had become just as hard to earn some of the new money as it had been to earn gold, for the increasing tribute dues to the rich, which cut down the purchasing power of the masses without a corresponding increase in the purchases of the capitalists, produced the same effects as before; and prices rose all the time. At length, through new issues the money circulation had increased an hundred-fold, but a pair of boots had risen in price from half-a-sovereign to fifty pounds, a quart of milk from threepence to over a pound, and so on. General misery had increased, for finally many landlords would not let their land at all, not knowing what money would be worth when the rent became due. They preferred to use it as deer parks. A fearful crash came and despair reigned everywhere. Even the improvements made by means of the new money had been pawned or sold to the capitalists. Interest was at the bottom of it all. On the one hand it creates tribute-claims, growing all the time through the power of compound interest, and in this way a demand for money which exceeded the stock of money. On the other hand it is the cause why only a limited quantity of money can be kept in circulation and why an excess of this quantity depresses the purchasing power, the value of money. We can now

understand how little the Guernsey business proves. If the governor had tried to build railroads, school houses, etc., on the same plan and at the same time, so that the issue of scrip had exceeded the quantity of money which the people wanted to keep in stock, the money would have depreciated at least in proportion to the interest which money-holders lost by the excess of money, so that borrowing money on interest might have proved a cheaper system after all.



CHAPTER X.

EXCHANGE BANKS.

Irredeemable paper currency, or anyhow paper redeemable only after many years by being accepted in payment of government dues which rose with the decreasing value of the money, having now proved a failure, Money Island returned to specie payment under great sacrifices, but the crisis had become worse than ever. What was to be done? The Socialists made but small headway, for the islanders were a conservative people, and preferred suffering under a known evil to suffering under an unknown. The Land Nationalisers, (or Land Restorers, as some called themselves,) made better progress; but the powers arrayed against them proved too strong to afford hope of speedy success. Some of the reformers started independent colonies in which their theories could be practically tried. These colonies were organised on all kinds of plans, from complete communism to mere communism in land. Each and every one of them predicted a splendid success for its proposals, a great object-lesson for the rest of the world. Some failed at once, because they had small means and many disagreements, as might be expected where so many men assembled, strong indeed on special "isms," but often very weak in everything pertaining to practical life. Others held on, and might have obtained some success, for a great many obstacles which fifty years before had been in the way of similar enterprises could be avoided at this time. When men like

Horace Greeley, Dana, Ripley, Channing, Dwight and Hawthorne united in a Brook Farm to do common farm work, most of them soon became disgusted with it. They were not used to hard physical toil, and this toil was so unproductive that little time was left them for intellectual work. But it was different in a time when a man, sitting in a comfortable seat, could drive a reaper and do at least **six times as much work** as the hard-working scythe-man could fifty years before. Invention had so increased the productive power of labor that men and women of the highest intellectual culture, by devoting a quarter of their working time pleasantly to work which formerly would have taxed all the energy of a laborer during a full day, could make a comfortable living, provided nobody stepped between them and their product to take the lion's share. It is impossible to tell what success these colonies might finally have had under such circumstances, if time had been given them, and if speedier help had not come from another quarter.

Exchange Banks were formed, institutions where the producers brought and deposited their commodities, for which they obtained notes, or drew cheques redeemable in commodities. Even this idea was not a new one. Similar experiments had failed fifty years before. Would they have more success now? It was to be hoped so, for an element of success formerly wanting could be depended upon now. At that time over-production, or rather under-consumption, had not extended to all branches. Food-stuffs and raw materials were then always saleable; only manufactured goods were sometimes, to a certain extent, a drag on the

market. Exchange Banks failed because only certain classes of commodities were brought for sale. Those most urgently needed found an open market outside, and did not come to the Exchange Banks. This had changed. Food stuffs and raw materials were almost as unsalable at paying prices as manufactured goods. The farmers were just as eager to sell to, and became as faithful members of, the Exchange Banks as the manufacturers and professional men. So the Exchange Banks flourished. Their notes and cheques began to be taken by all kinds of producers, who bought with them what they needed. What the reform colonies tried to do on a limited area the Exchange Banks did all over the island. Service for service was the system proclaimed by the colonies, which had attracted people from their homes to gather under new surroundings, to live with strangers and under circumstances they had not been used to. The Exchange Banks left every one at home, at his usual work, in his old surroundings, and accomplished the same end, for even the land question began to be looked after by these banks. They gave *no dividends*, but *bought land* with their profits, which they rented to members in the neighbourhood. Still it was slow work, and it is doubtful whether success could have been depended on in time to prevent the impending catastrophe, if a fortunate conjunction of favorable circumstances had not helped to prepare the way. Of these the most important one had been the establishment of *co-operative stores* all over the island. The co-operative stores proved of such immense importance that we shall have to devote a special chapter to them.

CHAPTER XL

THE CO-OPERATIVE STORES.

The co-operative stores had begun on a very small scale, but had gradually extended enormously. At the time we have arrived at, they had a million and a quarter members in the island, and their yearly sales amounted to 50 millions sterling. Their capital exceeded 17 millions, their profits in a year were $4\frac{1}{2}$ millions.

Their success was based on the enormous saving which the suppression of the middleman procured. The *middleman* had become *one of the greatest pests* of the island. He seized a greater part of the product than either the landlord or capitalist, and most of what he got was pure waste, for the real value of his services did not amount to one-tenth of what he extorted. Not that he was any the better off for that, for through the number of mouths that wanted filling, the average which each middleman obtained was not enough to provide him with all necessary comforts. The clerks' especially were miserably paid, and things were continually getting worse, as the number of middlemen increased much faster than population and production. Commerce was the elastic reservoir into which the better-situated part of the unemployed was washed down, and the unclean stream increased with the rising tide of the crisis. When you walked through one of the cities of the island, you could count 20 grocers in a

single street, where one would have sufficed to attend to the distribution of groceries,—especially if greater prosperity of the people had permitted their purchasing in larger quantities, for it takes no more time to sell ten pounds of coffee than to sell an ounce. There were 20 shopkeepers, with at least 20 clerks, with 20 shop rents, 20 heating stoves, 20 lighting plants, 20 taxes, a number of advertisements, etc., where one man with two clerks, one shop-rent, one stove, etc., and without a single advertisement, would have sufficed. But this by no means gives the total of the waste, for we have not counted the importers, wholesale merchants, commercial travellers, the railroad and hotel people, who transported and fed these travellers, additional insurance, freight, and spoiling of stock, etc. Imagine such a waste of force in the post-office. Imagine twenty competing post-offices, where one now performs the work! Imagine twenty letter-carriers following on each others' heels down a street to do the work of one—delivering letters, one at one house, another at another, as milk and coal carts do now. You would laugh at such stupidity, and yet it was just what you saw done in commerce, in the distribution of commodities, every day of your life, when you walked through the streets of a city in Money Island. When its Socialists talked of the waste through competition, nine-tenths of this waste was found in distribution. Production became more and more centralised from day to day, distribution more wasteful to the same extent. Competition in production improved the processes of manufacture, and the quality of the goods furnished at the same price, or lowered the price of the same quality. Competition in dis-

tribution rendered the process of distribution more wasteful, raised prices, and reduced the quality. Success in business became more difficult from day to day. Not because it was harder to learn the process of manufacture. Division of work had made that easier. Not because it required more exertion to distribute commodities. The immense progress in the means of communication had done away with impediments which hampered the merchant of the Middle Ages. No, success in business was harder because the manufacturer had to harass his head day and night with the question of how to sell his product. The business of distribution was so difficult, not because it was such hard work to show a sample, to name a price, to pack the goods, and to accept the money. A child could do that. It was so difficult because it became harder from day to day to beat competitors. If the islanders had made success in letter-carrying dependent on the greater skill in obtaining customers, the distribution of the mail from a simple mechanical process would have become a difficult battle in which only the fittest survived. Not the fittest who attended to his business most efficiently, but the fittest in gaining the public patronage through all means of puffing, from newspaper articles and advertisements down to the sandwich-man. Instead of "Buy Colman's Mustard!" you would have read: "Use Miller's post-office, the best in the world!" and the public would have had to pay for the sandwich-man, the printer and publisher of the newspaper, besides the useless surplus of post-offices and of officials. Imagine having to take a letter to half-a-dozen post-offices to see which would carry it at the cheapest rate; which had

the earliest mail to the destination desired, etc., and the annoyance caused by constantly changing rates.

It is strange that in spite of the co-operative stores, which sprang up all over the island, the middleman instead of decreasing rather increased. Distribution of most commodities which one-sixth of the population needed, was done by these stores in the least wasteful way possible under the circumstances, and yet the middlemen increased. How could they help it? The field of production became more restricted day by day, because the purchasing power of the people did not keep pace with the improvements in manufacture, through which all the time fewer hands were enabled to turn out more work. The professions were overcrowded, and merchandising of some sort was all that remained. No wonder that the co-operative stores were looked at by the middleman with the bitterest hate, and fair and foul means were used to cut off their trade. In spite of this it continually increased. Even the wholesale merchant and the importer were needed no more, for the stores had combined to purchase through *two central institutions*, which had moreover undertaken importation and had a number of ships of their own ploughing the ocean, to supply them with the wealth of foreign nations. Even production was undertaken by the *Wholesale Societies*, and its working-men and women were better treated and better paid than workers outside.

An important feature of the co-operative movement was its *democratic foundation*. It was not the result of scholarly work or of official wisdom, but the outcome of simple practical experiments undertaken by simple working-

men, without any other guidance than their practical common sense. A few poor men had arranged to club together and to buy wholesale some of the necessities of life and then to distribute them at cost in a little store opened for this purpose, amidst the jibes and jeers of street urchins. From this simple beginning a movement arose which finally freed humanity from economic thralldom. And as the movement grew we find the same absence of that element which went by the name of "the higher classes." Administrators such as the world had hardly ever seen among the merchant princes, men who had to superintend a yearly business of ten millions sterling, which included production on a grander scale than that of the largest individualist establishments, arose from the ranks of the humblest toilers. A mill built by the two wholesale societies furnished 6,000 sacks of flour a week; the whole turnover of the two wholesale societies of the island in their productive departments exceeded ten millions sterling. All this was done by a *pure democracy*. The consumer governed all by his vote, and an administration was instituted by this vote such as never emanated from the political ballot-box. Why? Because practical interests were directly at stake, which appealed to the pocket of every man and woman; and the pocket of the islanders had become a much more sensitive organ than their heart. They laughed when agitators appealed to that heart at political election times, but they did not laugh when the question of finding the best administrator of the store appealed to their pockets. Nobody but the very best man would do. No kind of bribery could avail, for how can you bribe a man to throw away more

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CHAPTER. XII.

THE EXCHANGE BANK DEPARTMENT OF THE CO-OPERATIVES.

To these co-operative stores the Exchange Bank men now appealed. "Why not melt into one our two separate movements?" they said. "What we need for our complete success is a net-work of stores all over the country with a large established trade. You have got it. What *you* want is to have all the producers of the island purchase from you. We can bring them to you by making it impossible for them to buy elsewhere, provided you agree to accept in exchange their products. And why should you refuse to do so? Suppose even that you might buy cheaper in other countries than from your own fellow-citizens, these other countries do not buy from you, whereas your purveyors at home do. The profit you can make on their purchases will more than compensate you for the higher price. You will have another advantage. These customers will not need dividends, for they make profit enough by what they sell to you. The money so saved can be used by you to furnish capital for co-operative production, and the advantages afforded by co-operative production will be so enormous that gradually your cash customers, your ordinary members, will begin to see what a short-sighted policy the whole dividend business has been. Of course we well know you could not have got along without it, as you would not have obtained members. These members will see that the new use made of the

profits will provide them with immense funds, which will gradually make them independent of the capitalist, and, through raising their incomes as producers and by insuring them permanent employment, will give them back ten-fold what they sacrificed as consumers."

It was hard to get a hearing at first, for, as I said before, the islanders were very conservative. Even their so-called Radicals were so. The most powerful arguments in favour of reform could only with difficulty make headway against the reasoning that things had to go on as they did, because they always had done so. Precedent and habit, strange as it may appear, were powerful forces even in reform societies. But the reformers persisted, and the following suggestion found favour: "Let the Co-operative Societies open an *Exchange Bank Department* in their offices, and make their wholesale societies do likewise. This institution shall be distinguished from a money bank in this way: The cheques drawn on it, or the notes issued by it, shall not be paid in cash, but in commodities or services at their market value. The deposits can be made either in cash or in commodities and services. After this department has been opened, let all who desire the custom of the Co-operative Societies all over the island know that these will give the preference to such of them as will accept *Exchange Department notes* or will draw *E. D. cheques* in payment. Let them know that the cheques they draw on this banking department or its notes will be honoured by the co-operative stores all over the country, the wholesale society acting as a clearing-house through its own Exchange Department. They will be honoured by supplying commodities or services for them,

at cash prices. To enable the holders of Exchange checks or notes to obtain anything they may need, the stores shall extend their field of operation to the supply of all kinds of products and services. The purchasers for Exchange notes shall, however, get no dividends, and this will be the only difference made between them and the purchasers for cash. They will not find this unjust as they get a much higher dividend in the profit they make upon their own products which they furnish to the societies."

To make matters short, the proposal was finally accepted, and the success surpassed the most sanguine hopes. One after another, the producers came to supply the Co-operatives with their products, and accepted notes of the Exchange Bank Department in payment, or drew cheques on it. Gradually only a small percentage of the purchases were made for cash, since the old purveyors, who at first insisted upon cash payment, finally had to agree to draw Exchange Bank cheques or they would have lost the custom of the Co-operatives. And this custom became more important from day to day, for the sales of the stores increased with the Exchange accounts thus opened. The manufacturers paid with the new money had to buy their own necessities and their raw materials direct from the Co-operatives, or if they bought their raw materials direct from the producer it was only from those who accepted the new cheques, and who thus in their turn had to become customers of the Co-operatives. Finally competition forced them to ask their workers to accept their wages in the new money. The English *Truck Laws* would forbid this. So did those of Money Island. No employer had a right to offer any-

thing else but cash to his hands, but no employer was or could be prevented from dismissing those employees who did not call at the office to buy Exchange Bank checks or notes. And the employers could not well be blamed in this case, for their chance of employing their men depended on their chances of selling their goods, and these chances were more and more connected with the possibility of selling to the Co-operatives. The workers recognised this fact and came willingly to buy the Exchange Bank money. The immense profits on the sales made for Exchange money—very soon the bulk of all sales—were used to buy land and farm it for the Co-operatives, to build and stock factories to produce commodities needed by the co-operators.



CHAPTER XIII.

THE TRADES UNIONS.

But soon the *Trade Unions* took the matter up. They discussed the subject in their yearly Congress. The discussion soon brought out the fact that opposition was out of the question, because no resolution of Trade Unions could procure customers for the products of the factories, and the representatives clearly recognised that the employers could not act otherwise. An argument brought forward by one of the members, however, excited considerable attention. "We well know," he began, "that the employers are forced to act as they do, but I do not see why this should harm us in any way, provided we take care that we do not lose by the new arrangement. And not only can we prevent loss, but we may reap incalculable benefit, if we know how to go about it. It is evident that this whole movement is eminently in our own interest, because our worst enemy is the middleman. What landlord and capitalist take from us is less than the loss caused by the immense robbery of the middleman. It has been calculated that on the average the prices we pay are double what our employers get, after deducting their own expenses for commercial travellers, advertisements, etc. Now all these unnecessary additions to the cost price of goods can be done away with, if this new movement succeeds; and it must succeed, if we, the representatives of organised labor, take the right way from the

beginning, instead of losing ourselves on side tracks, as we often have done in the past. If labor all over the country decides to help in this battle against the middleman, if we force this parasite of modern society to do useful productive work, a saving will be obtained amounting to almost twice as much as the total of our present wage for productive labor." "Oh! Nonsense! Crank!" were the shouts which came from different directions. "I shall prove to you what I say," the speaker calmly replied, and quietly taking from his pocket a few statistical notes, he continued: "The consumption of commodities in Money Island at retail prices amounts to 1,200 millions sterling a year. Not less than 40 per cent.—I think it is even 50—has to be deducted from this amount, if we want to find cost of production, which leaves 700 millions. 5 per cent. of this amount would pay for cost of distribution, if done in the most economical way. We know very well that our present co-operative stores cannot as yet reach this utmost economy. Their sales are not large enough to use to best advantage the time of the employees. Immense shop rents are paid, which would be reduced to a fraction after the other shops had been closed, because in that case twenty shops would be offered for one demanded. But the greatest saving will come from enabling the customers to buy in larger quantities, which their means will permit, if we are successful in having the workers reap the main benefit of the saving obtained in distribution. This saving could very well treble the wages at present paid to producers, for I do not think these exceed 250 millions sterling, whereas almost 500 million could be saved in distribution.

"Now I know very well that the possibility of raising wages and their real increase are two entirely different things. I know too well that the immense progress made in the processes of production and in transportation has not benefited the workers, but on the contrary by enabling those who own the means of production to get along with fewer hands, and by thus throwing out millions of workers, who then underbid the others, our wages have been forced down, and all our efforts have not procured us decent pay for our work. They may say that we earn more than we did a century ago, but we are worse off than our forefathers of the fifteenth century, and we certainly obtain a much smaller fraction of what we produce than we ever did before. It is this relative amount of our wages which we have to take into account, a question more important to us than the question of "living wages" even, for here we find the reason why employment becomes more precarious from year to year. The smaller our share, the less we can consume; and the less we consume, the less is the demand for our work, for the rich are not numerous enough and their extravagance is not sufficiently great to make up by their consumption the deficit of ours. Thus it cannot be doubted that the saving in distribution, attained through our co-operative stores, would finally only increase the share of the rent- and interest-lords, and therefore would not bring about a corresponding increase of consumption. All those hands who now find employment in wasteful distributive work, when thrown out by the new reform, would throng the labor market and would help to depress wages. As blacklegs they would frustrate all our efforts to withstand

the downward tendency, and would make our strikes ineffective and even pernicious. Under such circumstances I do not blame them if they hate the co-operative stores as much as we hate the blacklegs. Also you would see me protest and work with all my force against this movement. If I speak in its favour, if I ask you to support it with all your power, it is only because I see a way in which we can retain the whole benefit for ourselves, and can thus, with our own consumption, give employment to all who are out of work, instead of letting this benefit go to the capitalists and landlords, like the benefits of technical progress, only to increase the depression among the workers. There is but one way, we must become our own employers and also our own capitalists and landlords. Or rather we must become capitalists and landlords as fast as we become employers, for otherwise we have again worked for others and against our own interests. The middleman and the employer of labor are the leeches which suck the life-blood out of the workers' veins ; but these only retain as much of this blood as is needed to keep them in life, and often not even that. The balance is pressed out into the strong-box of the landlord and landlord. Interest and rent are the presses against which we fight in vain unless they are destroyed from their foundations.

"And now I come to the main point. You know that the Co-operative Stores have decided not to give any dividends to customers who pay with Exchange Bank money, but to use the profits so made for the organisation of co-operative production. We also know that there are two principles of co-operation, of which each has got its champions. The

principle now used in preference is what may be called the *Socialistic* one. The stores, i.e., the consumers, are the employers, and the producers are employed on wages; employed, it is true, at trade union wages; employed in healthy workshops, but anyhow employed as wage-workers. Their employers have a right to appoint their managers, who in their turn appoint the foremen. Another party, whom we may call the *Individualistic* school, prefer the independent organisation of societies for co-operative production, to whom capital advances are to be made by the stores—advances, which are gradually paid with commodities manufactured by these producers' societies for the stores. Each system has its advantages and drawbacks. The socialistic system brings the danger of bureaucratic rule, and the individualistic system does not provide against the danger that private individuals may monopolise the advantages of the system. We know how often we have seen the members of these societies for co-operative production become simple stockholders and capitalists employing their fellow workers like other capitalists. Now I think I have found a way out of this frying-pan and fire business by the following plan. Let our trades unions organise production. Let us lay aside for exceptional use only a weapon which not only has become too costly but which has been blunted in the fight against the army of the unemployed with its brood of blacklegs. I mean the *strike*. And let us use another weapon which, through the Exchange Banks institution of the Co-operatives, has attained a power never even dreamt of. I mean *co-operative production*. We can thus, with one stroke, avoid the drawbacks of the two

existing systems. There is no danger of bureaucracy, for the single trade union, the body who directly, or through representatives, elects the managers, is not so large, and furthermore it is not such a multitudinous crowd, nor composed of such heterogeneous elements, as the body of consumers which votes in the united Co-operatives. It consists of members belonging to the same trade and who have a correct judgment of the questions involved in case of disagreement between managers and workers. The continual contact between men of the same trade makes them better acquainted with each other, and thus better able to find the men best suited for management. On the other hand there will not be any danger of a return to the capitalistic system through the power of personal selfishness, for the ownership of the factories will belong to the whole trade union, and thus the workers of a single factory will have no power of monopolising for their own special benefit the advantages obtained through co-operation, in which every worker without exception ought to participate. Another danger, which has killed so many co-operative societies, will be avoided,—that which comes from the absence of discipline, without which no such work can be carried on. The men often refused to obey their self elected managers, and the managers, whose position depended on the vote of the workers, lacked the authority without which success is impossible. If each trade union owns its factories collectively and appoints the managers, the single factory only votes as a fraction of the total vote, and its workers have very little influence in regard to the appointment and dismissal of their manager. Their complaints against him will be

investigated by the supreme council of the union, from whose decision an appeal can be made to the entire membership of the union at the regular meetings of its yearly congress.

"Now I know that this requires great resources for its execution, and I do not imagine that it could be carried through at once for all trades, nor even for all the members of one union. What I propose is this: Let us try to get passed in the Co-operative Congress resolutions to the following effect: We fully agree with the decision that the profits attaching to those purchases of the workers which are made with Exchange Bank money are not to be wasted in dividends, but are to be used to buy means of production. The dividend business, though it may have been for a while necessary in order to attract members, has been a retrograde movement all along. We have spent in dribblets immense sums, which, well used, together with the money wasted in strikes, could long ago have worked our deliverance from capitalism. It did not even do much good, for we well know that wages tend to the lowest level at which the workers can exist, and if dividends eke out the means of existence, the employers can save in wages, just as poor-law doles given by the parishes had reduced wages, so that the poor-rate helped to pay the manufacturers' wages bill.

"Though we agree with this decision of the Co-operative Societies, we do so on the condition only that the means of production so bought shall belong to the trades unions in exact proportion as they are earned by the workers of each trade, and that these means shall only be used for co-operative production and never be divided among the mem-

bers of a trade union or all the trade unions. Of course each union determines what special means of production it needs. The bulk of its members' regular contributions is to be used to help in this work until all members of the union who desire it are organised co-operatively. Let us always begin with those members who have the most serious complaints against their employers. Such an employer will not have to fear a strike anymore, but the complete desertion of his hands. And he will also find it next to impossible to engage others, for not only will union men refuse to apply, but even blacklegs will become very scarce, if we hold to the rule that no one who ever acted as a blackleg can find admittance into a union. After admittance to a union means the certainty of reaching independence sooner or later in our own workshops and mines, or on our own fields, such a threat will have quite a different importance from what it now has. When once the employers have become acquainted with the real meaning of our new watchword: 'No more strikes for days, weeks, but *strikes for ever*,' they will take good care to yield to reasonable demands."

Great applause greeted this speech in the Trade Union Congress, and after a long discussion the proposal was accepted and the whole power of the trade unions was used to carry it into practice.

CHAPTER XIV.

THE NEW CURRENCY.

The Exchange Bank institution of the Co-operatives proved a wonderful success. It grew like an avalanche, because every new purveyor of the stores, who accepted *Exchange Bank money* became an active propagandist of the stores. He had to, because his sales increased in exact proportion to the quantity of the new money he could accept, and this quantity, after his own personal wants were satisfied, depended on his success in placing the new money with his own creditors. When he bought raw materials he made it a condition that he should be allowed to pay in the new currency, and if the purveyor refused he went elsewhere, until he found one who was more accommodating. Of course this purveyor in his turn acted in the same way. He also not only bought his own necessities from the stores, but did all he could to make others accept the money he had received. Especially when, after the decision of the trade unions, the organised workers all over the country accepted the new money and bought only where it was accepted, the circle in which the new currency was accepted widened from day to day. House owners began to accept their rent in it, because it became more and more difficult to let houses for cash money; all the more as the Co-operatives began to build houses for their members. They had plenty of capital to do it with. Depositors in their Exchange Bank department

did not at once draw against their deposits, and holders of Exchange banknotes (issued by the Wholesale Society to the Co-operatives) did not at once cash their notes. We all know that even our present money depositors do not draw their money every day. They leave a balance, and the total of these balances is very considerable. It enables the banks to do a large credit business quite out of proportion to their own means. They lend to one customer what another has lent to them. They know by experience that only a certain amount of ready money has to be kept in stock, and that usually what one man collects another deposits. It is the same with the bank-note circulation. Experience has shown that only a small fraction of people call for cash or present their notes for redemption. A certain amount can be kept floating. It was just the same with the deposits and notes of the Co-operatives' Exchange Bank department, but the risk this department ran in keeping a smaller stock of commodities than it owed to depositors and note holders was not so great as the risk run by our money banks. In fact there was no risk at all, no matter how great the excess of debts might have been. To understand this we must remember that the means of payment which the cheques and notes called for consisted not of *two scarce commodities*, gold and silver, or even one only, gold; but of *all commodities*. And we must further remember that these commodities had not to be handed over the counter at once like the gold of the money banks. We know that even when we have cash in our pocket we cannot demand *immediate delivery* of the merchandise we want. It is impossible to keep in stock everything

human fancy may ask for. If we want a suit of clothes we may perhaps have to wait until the tailor has got the particular cloth we want the suit made from, and after that until he has had time to make the suit. If the State wanted a million of newly-invented guns, it must wait years until they are delivered, even if it has the ready cash on hand. As a matter of course the notes and cheques of the Exchange Bank entitled the bearer to the commodities he claimed only when they were in stock. Otherwise he had to allow a reasonable time for the manufacture and transportation of the goods. This is not the only advantage which the Exchange Bank had over the ordinary banks. A cheque drawn in cash money calls for a certain number of gold pieces of a certain weight and alloy, quite independent of the value which this quantity of gold may have in relation to other commodities. A note or cheque upon the Exchange Bank calls for a certain value of any commodity the owner of the note may claim. This value depends on the degree of ease with which the special commodity that is demanded can be procured. We shall best perceive the great difference between the two systems when we assume that the owner of an Exchange Bank note for ten pounds calls for ten pounds' worth of gold sovereigns. He may get ten, twenty or one sovereign, according to the market value of gold measured in other commodities. The creditor can no longer ruin the debtor by forcing him to pay a certain quantity of a special commodity which the totality of debtors cannot procure, because the total of debts considerably exceeds the stock of the special commodity. If he insists on having this special commodity, he will have to pay for it

according to its market value. The price will be in exact proportion to the difficulty which the debtor has to procure this special commodity. In this way the Exchange Banks of the island could not suffer from any scarcity of money, for money consisted of all commodities, and if any one of them proved scarcer and more difficult to obtain than the others, its price rose, and the quantity due to the creditor who insisted on being paid in this special commodity decreased in proportion also. Reasonable time for delivery was given. The risk of a run upon the bank counters, which so narrowly limits the uncovered note and cheque circulation of money banks, could not frighten the Exchange Banks, for the very causes which make panics and which prompt savers to claim cash money restrict the demand for commodities of any other kind. When war threatens, people try to have as few goods in stock as they can help for fear of plundering and because business is slack. Instead of making a run upon the Exchange Banks, they will bring goods and take notes in payment, or have them credited to their accounts at current prices, unless the goods are only accepted for sale on commission. Instead of having notes presented for payment the Exchange Banks may have to increase their issue of notes. In this way it is easily accounted for that the credit facilities of the Exchange Banks were almost unlimited. As this credit only was extended to members, membership increased on this account also.

The banks lent their notes without demanding interest. By this I mean interest proper, for a slight commission and the *risk premium* were paid by the borrower. This was done in the following manner :—

The wholesale society opened a *Credit Insurance Department* on an entirely new system. The old way, which had been tried in vain sometimes, had been to insure outstanding debts. Such an insurance naturally encouraged thoughtless crediting. In the new department the debtor insured. He paid a premium, for which the insurance department undertook the guarantee for his debt to the amount insured and for one year. When he borrowed anywhere he only had to deliver his policy and in case he did not pay in time the insurance department paid for him and undertook the collection of the debt on its own account. The premium varied according to the standing of the insured party. To have a good number at the department, *i.e.*, to pay a low premium, soon became one of the greatest honours. A sober and industrious man of course had a higher number than a drunkard. Mostly the latter obtained no insurance at all, which was considered a great disgrace. The moral effect of this arrangement was very great. The insurance department also served as an additional inducement for the formation of societies for co-operative production, for through the mutual guarantee of their members they had a very good credit number.

As the new currency gradually came to be accepted wherever people had to sell something, the *middlemen* began to accept it also, but they found it difficult to spend more of it than they needed for their personal wants. They could not buy merchandise with it, for the manufacturers did not want any more of this money than they got from the Co-operatives, because they had certain debts which they only could pay in cash. The middlemen could not obtain

goods from the wholesale society except at retail prices, which would not do as it left them no profit. On the other hand the stores sold cheaper as their business increased, and consequently their relative business expenses decreased. So gradually one after another of the middlemen liquidated. Most of them took a part in productive enterprises. No new beginner filled the gap, and gradually the stores alone were left to do the trade of the island. The wholesale department opened branches in other countries to sell the island's products, and to purchase what outside products the island needed.* In this way importation and exportation also became monopolised by the stores. Business increased enormously. Wages rose and the good time seemed to have come at last. But still there was a great difficulty. The new currency was not accepted in payment of debt by the land- and money-lords, nor by the government, and where was sufficient cash to come from, without which they would not be satisfied?

* These foreign branches inaugurated in their localities the Exchange Bank policy of the Co-operatives. They gave the preference to those producers who sold for Exchange money. This money was soon accepted in all the foreign co-operative stores, who bought Money Island goods with it and to whom it insured an enlarged custom. This helped to spread the system over the whole world.



CHAPTER XV.

CAPITALISTS AND LANDLORDS.

LET us first treat the case of the capitalists. The introduction of the new currency was a thorn in their sides. The large amount of gold money which had been used in trade, or which had served as a security for the money representatives with which trade was done, had become unnecessary through the new currency, which now was the medium of exchange for the greatest part of trade. Money loans, bill discounting, commissions for credits opened in the books of the bankers, began to be beautiful dreams of the past. But, though a great amount of interest slavery, of money bondage, was done away with that way, enough still remained to be a positive danger. Mortgages were not redeemed because the mortgagees wanted cash for them and also cash for interest. The landlords mostly wanted their rents in the same money. So did the railroads in regard to their fares and freights, the government for its taxes and custom duties. Though a part of this cash was spent in the country, and found its way back to the debtors of the capitalists and landlords as well as to the taxpayers and railroad users, yet still only a part was employed in this way.

A great part, as we have seen in the 5th chapter, was invested in the purchase of new interest- and rent-bearing claims, in further spurious capital. The main object of the people now was to become independent of these claims; and

the first thing to turn their attention to was *the land question*. There were some among them who wanted political action, but the practical common sense of the co-operators forbade them to wait for legislation, which might have proved so slow that another generation could have starved or lived in misery before the politicians had at last accomplished something really useful. Fortunately political action of some kind in the direction of land restoration to the people was expected sooner or later, for Socialists and Land Nationalisers had decided to unite on this point as the first necessity of social reform. The landlords had become frightened and a great deal of land was for sale. The Bank Department bought one farm after another and leased it to *small cultivators*. Wherever a large and conveniently located tract of land could be bought, factories and houses were built on it, and the new societies for co-operative production settled there. A great advantage was obtained in this way. The societies and their members had to pay only moderate agricultural rents, and a part of transportation was saved, for the farmers' produce was exchanged against manufactures on the spot. The factory workers' excrements, instead of polluting the rivers and lakes, were used on the surrounding farms. In the harvest season, when labor was urgently needed on the farms, the factories were closed for a few weeks and their workers turned out into the fields. It was a holiday for them, and a well-paid holiday. Gradually the cities felt the effect of the exodus of the workers, especially as the middlemen also had to leave and seek for productive work elsewhere. Houses and factories were to let by the thousand, and almost every shop

was without a tenant. The rental value of city property fell enormously, and those capitalists and landlords whose fortunes were invested in this direction suffered great losses. These losses were bewailed by the press, which mostly was in the hands of these people. If you had read the leading articles of the great dailies, you would have thought that the greatest calamities were imminent, that the end of the world was approaching. "The capital of the nation is fast disappearing. Money Island will lose its position in the world. All of our wealth which is not destroyed by this unprecedented crisis will *emigrate*. Let our workers consider that their fate and that of the capitalists are most intimately linked together." This was the strain in which these wailing articles went on. But strange to say, and almost unbelievable, the greater the calamity of the capitalists and landlords, the more the people prospered.

This was quite natural. The capital of which the daily press prated was the spurious capital, and we have seen that the prosperity of the spurious capitalist is equivalent to the ruin of the real one. The increase of spurious capital means that real capital is stunted in its growth. Telling the workers that the growth of spurious capital is to his benefit is the same as if the slaveholders had told their slaves that the good prices which they brought in the slave market was a sign of their (the slaves') prosperity. That prosperity arrived only after slave property had been entirely lost, had gone down to zero. Real capital, and labor, which began to own most of it, thus began their triumphal march only when spurious capital was on the decline. Complete victory was attainable only after spurious

capital had disappeared. How true this was the blind could see when they looked at the state of things in Money Island,—unless self-interest had blinded them, a kind of blindness for which no cure exists. In the chief city of the island the exodus of workers and the closing of the middlemen's shops had reduced the value of property to one-third, and it was going down all the time. What was the consequence? That the poor obtained a decent set of rooms for half the price they formerly had to pay for a pig-sty in a slum. Land on the outside of the city, which had remained a waste because the landlord would not lease it to gardeners as he counted on getting builders who were to pay a much higher rent, could now be had at reasonable rents for truck gardening. Workers who could find no employment before now cultivated this land and supplied the market of the city with vegetables, butter, eggs, and poultry, which formerly had been imported from abroad. But, strange to say, these workers would not believe that the fall of property had hurt them. Finally the co-operative societies could buy or obtain on long leases, in the very heart of the great city, all the additional buildings they wanted for factories; and, what was yet more important, they could get them for Exchange money, because they refused to buy or lease on other terms and because the owners thought that Exchange money was better than none at all. *The more property depreciated, the more the workers prospered.* And the *emigration of capital*—which capital emigrated? The *machines and factories*? Certainly not, for there were plenty of machines for sale in other countries, and the factory buildings could not be exported. *The mines*

and the land? Impossible to export these. The *gold?* Yes, that went away, because at home they would pay little interest for it and abroad good interest was obtainable; for a while at least. Also silver began to leave. Strange to say, the people did not even notice the disappearance of these metals and of the coins made out of them, especially after laws were made, of which the next chapter will speak, which finally destroyed the dominion of the precious metals.

Where was the capital the exportation of which would ruin the people? Why, even the *exportation of the capitalist* was hardly noticed, wherever it took place.

The federated workers soon got as much land as they needed to build factories on, and the existing factories could finally be bought for a song, for what are factories worth without workers? Not all were sold this way. The co-operative factories needed managers, and a great many of these managers came from the ranks of employers, who preferred a salary as manager to nothing. Some of these employers, whose hands wanted to establish themselves on their own account, came to them and offered to become *managers by piecework* instead of managers by wages. Here is the way they talked to them: "Now, friends, I make you a proposal. I sell you the factory and all it contains at a reasonable price payable in Exchange money, by instalments. As I shall only want this money for consumption, plenty of time will be given you, so that you can easily save the money out of your earnings and need not trouble your trade union or the Co-operative Bank. I accept the place of manager and guarantee you, as a minimum, the

same net earnings per head which your fellow workers in other factories are making and a dividend in addition, if you will allow me, as my salary, the surplus of what is earned. This is what I call taking the management by piecework. I can afford to do it, because I am a better manager than most of those whom your colleagues can hire for their salaries. I know a thing or two by which thousands are saved every year. You can have a half of this extra gain made beyond the usual earnings, and I claim the balance as my salary. You are better off and so am I." These offers were mostly accepted and the workers not only profited by the new arrangement in obtaining higher wages and dividends, but they learnt how to improve their processes of manufacture and how to organise production more efficiently.

The great difficulty was how to obtain the food stuffs and the raw materials, for most of the farming land and of the mines belonged to the landlords and capitalists, and they wanted a great part of their rents and royalties in cash, which was not to be had very easily. The federated workers began to feel their political power, which would have enabled them to get over this obstacle in no time, but politics were a trade they had not yet sufficiently learnt, and the landlords and landlords had as yet their own way in the government of the country, especially as the House of Landlords prevented any reform which went against their interest. So the workers had to try another plan. They united in council and discussed the important subject. I shall give the essence of a speech which contained the gist of the decision they finally came to.

"Friends! We have land enough in our possession to grow most food stuffs by small farming and gardening. We have sand and clay as well as building stones. We can grow flax and hemp and a great many other raw materials. But we have not corn enough, nor have we iron and other metals, coal, timber, cotton and other colonial produce as well as a few other raw materials. Most of these things could be got at home if we had free access to the land and the mines, which we have not, because the owners want money for them. Not our honest Exchange money, which means the product of our toil, but money made out of a yellow metal found in foreign parts, with which they can buy more land, mines, and tribute claims in other countries. Well, let us import all these things, which we cannot get at home. We need not pay out any more for imported food stuffs than we did before, because if we import more corn, we raise millions' worth of garden stuff and of dairy products which we used to import. You will say that we have to undersell other nations to dispose of our products in their markets, to pay with them for our imports? Well, let us undersell them!

"Suppose even that we get almost nothing for the work so employed. Suppose that each of us gives one hour a day for nothing. What is it compared with that part of our work which we had to do formerly for nothing? And is there not a risk that this state of things will come back if we cannot beat our landlords and lendlords, who refuse us access to the land and mines unless we pay them a high tribute in that yellow metal which our island does not produce, and which we have to borrow from them at high

interest, thus getting into their power as much as we have been? You may object that the other nations will close their doors against our goods when these are so cheap that we undersell them in their own markets. I know they finally would have done that in the old times when we wanted cash for our exports, or in default of cash, loaded them with mortgages on their land, saddled them with government and private debts, or bought their land and extorted billions of rent from them. I know their public men of the Liberal parties, whom we had thoroughly infected with our Cobdenism, taught their fellow citizens that the only correct principle is to buy in the cheapest market and sell what you can produce cheapest, that *products are paid with products*, and other twaddle of the same kind. We let them talk, and our books and papers lauded them to the skies. But all the time we knew that *products do not always buy products* but that *products are often paid with tribute claims*. Instead of taking products for all ours, we did so for a part only, to cover and disguise the main transaction, which was to pay ourselves with landownership, mortgages, and government loans. Finally our tribute income from the outside world amounted to 130 millions sterling a year, of which only about 100 millions was taken in produce, this amount including our profits and the freight earned by our shipping. Our claims from other nations increased thus yearly at least 50 millions. Of course the nations finally saw through this game, and the Liberal humbugs fell into discredit. The reactionaries, who were the greater humbugs, but were right on this single point, and through this gained the people's ear, succeeded in beating their antagonists and

obtained protective laws. It will be different when we can show that we do not want any tribute claims for our goods, nor gold with which these claims can be bought, but real honest produce. Not alone that, but we want the very produce which the dominant men in these countries have for sale, the produce of the land and mine owners, dominant not only because they own the basis of life, but because they have seen through our old game and thus have defeated their enemies the Liberals. Let us start co-operative colonies in other countries, where government land can be had for nothing, where nothing but labor is needed to bring forth corn, cotton, sugar, tea, coffee, timber, coal, iron, etc., nothing but labor to bring them to our stores. We shall thus obtain all the food stuffs and raw materials we want, and shall starve out our land and mine owners, who will have nobody to work their property or to buy its produce after it is worked."

This excellent proposition was accepted, and the success proved wonderful. No more cash was needed, except for the railroads and for taxes, but the building of new railroads soon brought the owners of the old ones to their senses, and the government needed cash only to pay the interest on its bonds. All other expenses could be paid with Exchange money, but the interest on the bonds, which were mostly in the hands of the capitalists and landlords, were exacted in gold. A great effort had to be made in parliament, which succeeded, because the House of Landlords could not throw out a tax bill. The land tax and the inheritance tax on large fortunes were so raised that their amounts covered the

interest of the debt, and these taxes were exacted in gold.* All the others were payable at will, either in gold or in the new money. In this way the necessary gold was obtained from the very people who either had a claim upon the treasury for gold or who had gold dues from other countries.

The great strike of the workers against the landlords and capitalists thus succeeded wonderfully. More and more land and mines were offered for sale against the new money, and gradually the people began to produce their own food stuffs and raw materials. But at this juncture an important law was passed, which put an end to all the money trouble at once and for ever.

* Only the tax on land owned by co-operative societies and trade-unions could be paid in Exchange-money.



CHAPTER XVI.

LEGAL TENDER.

GOLD had held such undisputed sway on the island since the paper craze had resulted in dismal failure, that even the Bi-metallists could not make much headway. Not that their success would have helped much, for the mass of workers produced neither gold nor silver, and had to become tributary to those who controlled these metals, though a larger stock of money would have reduced the power of claiming interest, and money might have become cheaper. A drop in the ocean, when we look at the immense amount of tribute claims at the time when the first Exchange Bank had opened. What the people really needed was a money which could be *coined by everybody* without his having to obtain a special scarce raw material from foreign countries. Gradually Exchange Bank money had accomplished this seemingly impossible feat. What else was this Exchange money in reality but *mcney coined by every producer*? All he had to do was to deliver his product to the stores, and his cheque or Exchange Bank note was money to all intents and purposes, for it bought all he needed. It passed all over the country, and, because it did pass, a glut of unsalable produce became impossible. How could a glut have occurred? Exchange Bank money by its very nature meant exchange of product. The very act of accepting this money in payment meant that *the seller had to become a buyer*

sooner or later. If he had not any present wants, this could not produce any glut, for in that case a greater part of production turned in the direction of permanent improvement. Factories, houses, canals, railroads, harbours, school-houses, museums, theatres, etc., were built, machines and tools were produced, and the nation became richer in consequence. A glut in one department or other of production might arise through over-production of certain commodities, but such a glut could never last long. If it was caused by an under-production in another department, it was as soon remedied, because beginners would fight shy of work which paid less on account of supply exceeding demand. They favoured the department in which demand exceeded supply, and which consequently paid better profits. In this way the balance was soon established. If supply in all departments exceeded demand, that only meant that the workers could take more leisure or could turn production in the direction of new luxuries and articles of public utility. An over-production such as had formerly existed in the island, an over-production with an unsatisfied want of the very things which were unsalable, was no longer possible. The younger people, who had not passed through that miserable period, could not believe that such things ever had really happened. Their minds had first to become educated enough to understand the intricate problems of past political economy. I say past political economy, for present political economy was so simple that it had almost ceased to be a science. Only then could they understand the nature of the crisis under which the island had suffered so much. They understood that this crisis had arisen be-

cause the people had departed from *natural laws*, which govern political economy as they do the movements of the planets, the growth of animals, plants, and all motion and development in this world of ours. They had departed from these laws when they allowed individuals to monopolise as their unconditional property the soil which had been given to all men as indivisible and inalienable property. They had departed from *natural laws* when they had permitted their whole existence to depend on the possession of a comparatively worthless metal (iron was really more valuable), by making it the exclusive *medium of exchange, measure and standard of value, and legal tender*. In this way a small minority obtained power over life and death by monopolising the foundation of all work, and of life itself, mother earth, and also of the medium of exchange; using them to obtain ever-increasing claims, which labor could not satisfy, because this satisfaction was not demanded in products of labor of all kinds, but only in one product: the scarce metal, which the claimants owned. In this way labor became impossible though the products of labor were needed more than ever, unfortunately needed only by those who had nothing but their own labor to buy it with, and not needed by an over-satiated minority, who instead of products of labor wanted new tribute claims, secured by land or other good collateral.

The bad land laws of the island had already partly been neutralised by the land purchases of the Co-operatives; for this land was to remain for ever the property of the members, and the whole nation participated in this membership. This land, and that which was leased by the Co-

operatives on favorable terms, the rent being payable in Exchange money, was sufficient for the people's needs, though it did not embrace half the surface of the island. Nevertheless the island now produced all its food stuffs, which it had not done for more than half-a-century. This was rendered possible by an improved culture.

The money monopoly had been broken by the people's own unaided action. If they had waited for the State to help them, ruin would have overtaken them long before. The only State aid they had was that tax bill which enabled them to balance their requirements of gold money. But the time had arrived when it had become perfectly ridiculous to continue the legal tender law, which had no longer any practical meaning, for almost all business was done through the new currency, which the people had created *Why any longer retain gold as legal tender?* What qualifications did the new money lack to justify such an incongruity? Was it inferior as a means of exchange? It had demonstrated its superiority over gold and silver, which had proved very poorly qualified for this service. In the majority of cases people had ceased to use them even before the Exchange Bank period. At least 99 per cent. of the business done in the community was transacted by means of money representatives, or substitutes, made of paper. Why have the substitute represent something which had become perfectly useless since it had ceased to perform the work it had been needed for, now that human progress had invented the substitute? It was a strange sight indeed! It reminded one of the watch-dog of which Prince Bismarck had told an amusing story in the German

Reichstag. It had been such a ferocious animal that it never was released from its chain until it had lost its teeth in old age. You would think it made use of the liberty thus gained after 15 years of slavery? No; the old dog continued to run around its kennel in the deep circular groove which its continual promenade at the extreme length of its chain had made. Or it reminded one of those cases of *disuse* in the animal world, represented by the continuance of wings where flight had ceased generations ago. Gold and silver money were a great advance on cattle money, as cattle money was on barter, but only so long as the absence of credit limited all business to giving with one hand and taking with the other. Credit had arrived in the train of progress. The chain which had forced business into the metal money groove had been taken off, and humanity, like Bismarck's dog, continued to circulate in the old groove, though quite a different circulation, unfettered by the time-worn chain, had been rendered possible. It was not that people did not discover that the substitute could perform the money service even after gold had disappeared. Paper money unsecured by precious metals was known and used, but the disadvantages of this money had made the nations return to metal money wherever they could do so. A last advance was needed and finally it had been made. Paper alone would not do, it could only disappoint the expectations placed upon it, when it lacked two essential attributes of perfect money. These attributes are:

1. The quantity must not exceed the necessities of the market.

2. It must be accessible at any time to the owner of any marketable commodity.

Paper money, unsecured by precious metals, issued by governments or banks, with nothing to limit its issue but the goodwill of the issuer, cannot fulfil these two conditions ; *inflation* occurs as soon as the quantity afloat exceeds a certain limit. The limit is reached whenever all those who can obtain money have as much as they need for their daily necessities. They will not keep any more in stock, because they do not want to *lose interest*, which means let a chance of extorting interest pass by. The worst of it is that the masses cannot obtain as much of this money as they need for their daily use, because *a minority controls it* through their rent and interest claims. The masses can obtain it only through the special goodwill of the money issuers and controllers. Products must first be sold before money is obtainable, and sales become more difficult from day to day, because the money owners or controllers do not want the products and those who want them have no money. If all who need it could obtain it there would be no inflation, even if a much larger quantity was issued. So the hitherto known uncovered paper money could neither prevent inflation nor the lack of money where it was most urgently needed. Inflation and scarcity of money went hand in hand.

Anyhow two facts had been recognised. These were : (1) That paper money could be used as money as well as coins ; and (2) that paper to be a good money must represent and procure a commodity which any holder of the paper willingly accepted because it had a certain real,

and at any moment obtainable, market value. The paper of this kind, the money representatives hitherto used, had done good service, though they did not quite possess these qualities. They represented gold and silver, which were supposed to be obtainable for them at any time, and gold and silver were willingly accepted commodities because they had a certain real, and at any moment obtainable, market value. But, as we have seen, the supposition was unfounded, for whenever a great number of holders of these representatives wanted to realise, i.e., to receive the actual metal, which the representatives promised, panics broke out because the floating engagements to pay cash far exceeded the power of doing so. At last the great discovery had been made that we can have a representative of a commodity, which everybody willingly accepts, because it has a real, and at any moment obtainable, market value, without the intervention of a special commodity. The Exchange Bank system proved that a paper currency can be issued, and will be generally accepted, though it does not represent any one commodity generally accepted and owing its value to the fact that it is generally accepted. (The commodity value of gold probably would be one quarter, or even one tenth, if it was not used as money.) The paper is generally accepted because it represents that special commodity which the bearer may want. Or anyhow it can procure it as much as gold, the present intermediary commodity, can. This feat once accomplished the intermediary not only became a wasteful object, but a positive nuisance, because it rendered no service by which it could compensate the great dangers it had brought. The

greatest of these dangers was the tribute-levying power it had conferred upon those who owned it, because its supply did not keep up with the demand.

The tribute levied in consequence of the money monopoly, called *Interest*, is one of the most remarkable examples of the force of habit upon our reflective faculties. We are so used to paying and receiving interest that we have come to consider interest a kind of natural force. Economists have proved it to be the natural outgrowth of human intercourse, just as the fruit is the natural outgrowth of the flower. This is not to be wondered at, for, just as the main business of the legist is to prove that existing laws are just, so the principal attention of economists is turned in the direction of proving that the present economic state of things is the best possible in this best of all imaginable worlds. The professors of both sciences are paid by the governing minority, and, consciously or unconsciously, they teach what pleases their employers. Do we really find *Interest in nature*? Does nature anywhere furnish an *automatic increase*? It does not. That is if its whole cycle is looked at. Its *destructive* forces balance its *productive* ones. Not a single particle of matter is annihilated, or is added to the present stock, and we cannot look at the different forms taken by matter as denoting an increase. We may say that for human use the change of certain inorganic substances into a tree or into wheat means an increase of value, and that the change of a bushel of coal into a certain quantity of gaseous matter means a loss of value, but even from the human point of view nature does not increase or decrease perceptibly its store of values.

as long as human activity does not interfere. Of course we know that wherever this activity is at work it produces values, but this increase does not go beyond that influence. We can make a grain produce a hundred grains by correspondingly directing the forces of nature ; and this increase can be effected in the same manner by every human being of the same working capacity and with the same facilities of obtaining capital, if the natural opportunities at his disposal are the same. ● Natural opportunities of greater productiveness may enable the equal working power of man to produce more, but the surplus so obtained figures as *rent* in human accounts, and as interest only in consequence of artificial and unnatural laws which enable individuals to possess themselves of these natural opportunities and trade with them. When a man "owns" a piece of land which by reason of its greater productivity yields *rent*, he can either lend this piece of land to another man and collect a hire for this loan, which we call *rent*, or he can sell it, and let the amount realised for the sale stand over as a debt against the buyer ; in which case the equivalent of the rent obtained for the loan of the land is called *interest* on capital, which has been paid, or has to be paid for the land. In reality this interest is nothing but *rent under another name*. But this possibility of obtaining a yearly unearned increment for capital, thus invested, which is called interest, has created the possibility of obtaining an equal increment on any capital lent by one man to another—for why should he ask less than he can obtain by buying land with his capital ? In this way *private land-ownership* has become the *mother of interest*. We have already made the acquaintance

of another progenitor — *monopoly money*, i.e., money issued for and by a minority which can monopolise it. A monopoly strengthened by the legal tender privilege, but not produced by this privilege, for any money to be real money must find general acceptance, and the legal tender stipulation only saves the trouble of a special contract stipulation in every single business transaction. *Would interest continue without these two progenitors?*

We have already seen that it did not require even the total abolition of private land-ownership and the legal termination of the monopoly conferred upon gold to abolish interest proper in Money Island.* The Trades Unions (of which the agricultural laborers union had become the most important one,) and the Co-operative Stores had already acquired half the land of the island, and their by-laws forbade its sale. It was let on perpetual leases with the following conditions and limitations: 1. Sub-letting was not permitted. 2. The average rent had to be paid which was offered for land of the same quality and location. 3. Large farms were to be parcelled when the necessities of the people called for it. 4. The lease terminated when the land was needed for public use, full compensation for improvements being paid to the occupiers. The people had all the land they needed, and had made an agreement on pain of exclusion from membership of union and store—which meant almost as much as banishment from the

* We must never leave out of sight the difference between real interest or *interest proper* and what is usually called *interest*. The latter includes the *risk premium*, sometimes even is nothing but this. premium or not even quite that. Whenever I speak of interest, I therefore mean interest proper.

island. This strictly kept agreement was that no member could rent or buy land from the landlords. In this way land had almost ceased to be marketable property, and its influence on the money market of Money Island had consequently disappeared. Monopoly money also ceased to be a progenitor of interest on the island, as the islanders did not need it for the transaction of their business. The money they needed was created by their own labor, for any marketable commodity was cash as soon as it was produced and even before, as credit could be obtained without interest against insurance policies. Production had increased so immensely since the artificial obstacles which rent and interest had laid in its way had been put aside, that any worker who wanted could lay up more than half of his income for the future. What could he do with the surplus but leave it at his credit in the bank? Nobody would have paid him any interest for it, for all the capital which beginners wanted was provided through the unions and co-operative societies. He could export his goods, but exportation only paid when other goods were imported in return, and this was done cheaper through the Co-operatives. Exportation for cash-money had become as good as impossible. The other countries had made favorable agreements, i.e., commercial treaties, with the Co-operatives, who bought products against products; but they had raised impossible protective walls against importation for cash. The days of *Mercantilism** had come back. Much abused

* Mercantilism flourished in the 17th and 18th centuries. It measured the wealth of a nation mostly by the quantity of precious metals it possessed, and the main object of a sound commercial policy was to get as much of the precious metals and to send off as little as possible. The physiocrats and Adam Smith demolished this system by showing that the precious metals were only an insignificant item of natural wealth.

Mercantilism: who would have thought that thou ever shouldst have a revival! The fight against it was based on the undoubted truth that wealth consists not only in the possession of two products, silver and gold, but of all products. Little did those who fought it on these correct premisses foresee that a time would come when wealth and its equivalent, the latent power of producing wealth, would be drugs on the market, because immense tribute-claims had arisen through bad laws, among which the monopoly given to one special class of wealth consisting of a yellow metal, one of the most useless of products, took the foremost place, and because these tribute-claims could only be satisfied in that one special useless product. If that could not be procured, all other products of human labor were almost worthless. They could not even be produced, though every element of production was on hand, especially labor, which begged for work on its knees. Money meant power, want of money meant slavery, meant compound interest accumulation, increase of those very tribute-claims which created all the misery. What did it matter in such a plight that a foreign product was cheaper than the one produced at home, if the foreigner did not buy home products in exchange, but wanted the one product only, which was so scarce, or tribute-claims—tribute-claims which grew rapidly to enormous amounts through compounding? The Norwegian might find it a better policy to manufacture pine-apples in hot-houses than to ship them from the West Indies, if the West Indian did not take ice in exchange, but bought it from Canada, asking money from Norway. This money would have to be procured at interest, and in a hundred

years compound interest would make every pine-apple cost 150 times as much as was originally paid for it. It would thus be much cheaper to produce the fruit at home, especially as the ice workers would be without work because the West Indians had not bought any ice. It would be much better to employ these men in the hot-houses instead of feeding them in poor-houses.* It was natural that under such circumstances old despised and ridiculed Mercantilism obtained new sway. Modern *Protectionism*, or *Fair Trade*, as bashful people call it, is nothing else but *Mercantilism under another*

* While I am writing these lines, the papers are filled with dismal forebodings about the consequences of *Japan's victory*. Japan, with excellent spinners and weavers at 7½d. a day, with the best machinery produced by modern technical skill, empowered to erect *factories in China*, to make use of that immense reservoir of cheap and intelligent labor! Not only will it cut us off from the Oriental trade, but it will flood the world's markets, and even our own home market, with its cheap goods. How shall we be able to employ our workers?

A remarkable calamity indeed! There is a country to which God gave all the natural treasures which man needs to make life a paradise—an excellent climate, a fertile soil, and enough of it to feed three times the people; mines containing coal in abundance, and all the minerals needed for productive purposes. If the balance of the world was swallowed by the sea the inhabitants of these islands could live in happiness, and could enjoy all the blessings which Providence lavished on them. Their inventive spirit enables them to obtain these blessings in abundance by only working a couple of hours a day. If they do not lead such a happy life, if untold wealth jostles unheard of misery, their laws are to blame—laws which give possession of the island to a few thousand men, and other laws which permit one worker to exchange his products with his fellow-worker on the condition only that the medium shall be a worthless metal which another worker in distant countries has dug from a hole in the earth, that other workers have transported this vile stuff into other earthholes at home, and that somebody who owns the stuff is gracious enough to accept some of the products of the English worker for it, or rather for a paper which mentions it. Only after this gracious personage has accepted these products is the English worker enabled in his turn to buy his colleague's product. But let us suppose these laws do not exist. Let us suppose the existence of better laws which produced the above result, and now let us imagine these happy people suddenly learn that the news which had been brought is false. The rest of the world is not

name. This was clearly shown by the differential tariffs obtained for the goods exported by the Co-operatives against other goods and the goods exported against cash by the capitalists of the island. In this way the outside investment markets were gradually closed to the latter. The Money Island capitalists found it paid better to leave their funds in the Co-operative Banks at home, interest free, than to lose enormous amounts of their capital in duties for the sake of getting interest abroad, especially as other countries began to imitate Money Island, and the rate of interest went down rapidly everywhere. Long before this, however, the Co-operatives, by exporting at very cheap prices for

submerged; but a greater calamity, forsooth, threatens the islands. A foreign people is ready to deluge the islands with cheap goods.

"All right, let them come," will the islanders reply. "We want cheap goods, for they can only be cheap if we get their commodities for our commodities, which cost us less labor than would these commodities we get in exchange." "But these people do not want any of your commodities, nor of those you can procure for them in other markets. Their labor is so cheap that whatever you could offer them would be produced cheaper by them." "Indeed; well that is splendid. In that case deluging us with their products evidently means that these kind people make us a present of them?" "No; they want gold and silver." "Gold and silver? We have no gold and silver, and we cannot procure them, as these people can get these metals direct from the gold and silver producing countries." "They will sell on *credit*." "Thank you. Credit means interest cumulation, and interest cumulation means rapid multiplication of the debt, so that finally the goods would cost us much more than our own. Let them keep their cheap goods; we do not need them." "But how about their tea, their silk, their cotton, their coffee, cocoa and spices?" "We do not need them; we have land enough in distant countries where we can raise all these things ourselves; and even if we could not, they will sell us these things against our own products even if these products are twice as dear as their own home-made ones, provided the labor spent on the production of the tea, silk, etc., will obtain them more English industrial products than would the same labor spent on the direct production of these products. They will raise their tea and silk prices until this is the case. We shall have to pay more of certain products of ours for certain of their products. That is all. England will not be ruined by that, will it?"

cash, had succeeded in securing large amounts of gold beyond those which they had originally needed to buy land with and to pay those claims which could only be settled in cash money. They did not need this gold but provided it with an object in view, which will be presently disclosed. If they sold in the meantime, they asked a high premium for it, and very little was bought from them at that price, for the only advantage this gold would have obtained was investments abroad. Interest would have been obtained in this way, but much capital would have been lost for living, and comforts which money would buy were cheaper on the island than abroad. There was an immense saving of the middleman's profit. On the other hand there was a better organisation of production. It was much cheaper because it was done in enormous quantities, which permitted more extended specialisation. All these items made up for the higher wages paid to the workers. These wages measured by their purchasing power, were at that time five times as high as before. Think what that means! The island had ten million workers, who before had earned £40 a year and who now earned £200, with most goods bought at retail cheaper than before. This meant an additional production—an additional home trade—of 1,600 millions sterling a year, just as much as the total of international trade before the reform movement had begun. Such an immense production made saving easy, and there was no way of saving but to help others who needed them to obtain means of production. If the islanders had done as the bees do; if they had stored necessities of life for future consumption, not

only would they have obtained no interest, but they would have lost most of their stock before they needed it: *Nature pays no interest; it destroys the capital.* It pays only interest on labor, and that is not interest but wages, unless part of it is due to special natural advantages, when we call it rent. Interest is obtained only when one worker borrows from another and pays him part of his wages. There was no fear of our workers doing that, for mutually borrowing would have been as absurd as living by taking each other's washing in. "We cannot all of us live by burglary," said a witty Australian. Only beginners needed capital from others, and for £1 thus needed there were £10 looking for investment. This would have produced *minus interest* (i.e., payment for the preservation of capital, because the service which the borrower rendered to the lender had become greater than the service rendered by the lender to the borrower). The lender would have had to pay part of the insurance premium, if public improvements had not supplied an inexhaustible source of investments. In this way the Co-operatives used a great part of the savings which were not needed by producers. Interest had thus disappeared on the island, and with it the great obstacle to an unlimited money circulation. Nobody cared how much money he kept in stock, as he did not get any interest that way, and if the issue of the new notes did not amount to such enormous sums after all, it was only because the people preferred to keep account at the Exchange Bank and to draw cheques whenever they wanted the money. *The new money had proved an unmixed blessing.*

We have to show yet that it was as good as the old

one in some points which we have not yet investigated. We have seen that it was a much better *circulating medium*, because its quantity always followed the necessities of the market and because it was produced by those who needed it, so that it was automatically supplied just where it was needed. We have seen that it created no tribute-levying power, and thus did not, instead of furthering circulation, become its greatest obstacle, which the old money gradually had become. Consequently it was a much better *means of exchange*. The new money proved a better *store of value*, for it was not stored, but became a credit in the books, wherever long storage was needed, a credit behind which we find a continually renewed, and therefore value-preserving, stock of marketable commodities. It proved a better *unit of account* or *standard of value* than gold, for a *unit of account* or *standard of value* must in itself be unchangeable, which it cannot be if it is a commodity. Gold is a commodity, and as such is subject to all the fluctuations of value to which commodities are subject. Though the large stock somewhat weakens the influences of supply and demand, these cannot be entirely nullified. Supply varies with the exhaustion and discovery of new deposits, and demand increases with increasing population and its business intercourse. Even though the actual money may not be demanded, it must be there to secure the substitute, the representative. I know there is a dispute whether it is true that gold has appreciated almost a hundred per cent. in the last twenty years, or whether the prices of other commodities have decreased fifty per cent. The best answer

to this question is to suppose an ideal unit to have existed in those twenty years, such as the islanders adopted in their Co-operatives, a unit which nothing prevented them from calling a pound sterling as their old unit was called. The value of such a unit cannot vary through its own appreciation or depreciation. If any such change takes place, it is in the value of the commodities measured by the unit. Now it is evident that this value could not have depreciated in the last twenty years, unless the prices of commodities had decreased in that period. Which is a better standard of value: one which never varies, and which, when a variation takes place, leaves it beyond doubt that the commodities it measures have varied, or one which varies all the time, so that we never know whether there has been any change in the object to be measured or in the measuring instrument? Which is a better measure of lengths: a piece of metal of a certain length, which becomes longer or shorter according to the temperature, or an ideal average measure to be found by taking as a base the average length of a great number of objects? The new standard of value, the new unit of Money Island, was such an ideal value, formed by the relative value of all commodities, not independently of them, like the value of gold.

If gold costs as much to produce as it did before, but if, through technical progress, the cost price of all commodities is only half as much as before, prices would go down one half if they are measured in the gold standard. Such a result would not necessarily follow in the new standard. Halving cost of production might be a doubling of the earnings of labor, while the prices of commodities would

remain stationary. The new pound sterling would buy exactly as much of everything as before except of human labor, which would have doubled in price. This might be inconvenient to savers who have to pay more for personal services when they consume their savings than when they made them, but they would be compensated for this as workers. The higher their wages had become, the sooner they could cease working and live on their savings. In other things the purchasing power of their savings would remain the same as before. They would buy exactly the same quantity of goods. In a country with gold currency a doubling of wages would also double the cost price of gold, and the prices of other commodities would be halved if their cost of production is halved through technical improvement.

But could not trusts, or the trade unions which had taken their place in the island, raise the price of their products, and would not such a proceeding be followed by an equal rise of all other prices, so that the new pound would have a decreased purchasing power? This could not be done in gold currency, because gold has a price of its own, dependent on its supply. This supply depends on the price of other commodities. If this price rises, the supply of gold decreases; its price goes up and thus reduces the prices of the other commodities which are measured in gold. No doubt; but this advantage is off-set by so many disadvantages that to maintain the old currency on this account would be like going in furs in the midst of summer because it might suddenly become cold. The advantage of making the furs useful once in a hundred years in case of a

thermal abnormality, is too insignificant to make it worth while to put up with their weight and stifling heat during the rest of the time. It is not likely that the producers of the island would ever commit such foolish actions as this mutual forcing of prices. They might have done such a thing in the old times, when most of them were debtors, for in that time any reduction in the value of money meant a reduction of their debts. *Which consideration also was the backbone of Bimetallism.* In the new time most of them were creditors, for only the beginners borrowed capital. All others who had a credit, a deposit in the bank, were saving for old age. To them any reduction in the purchasing power of money meant a decrease of their savings. The longer they had worked, the greater was their influence, but the more they had also saved. As a consequence, this influence in the councils was used against a raising of prices. Their interest as producers, on the other hand, prevented them from increasing the purchasing power of money by reducing prices. Prices differed only in consequence of changing conditions of production in some departments, which raised or decreased cost as they had done in former times. Temporary reductions might also have happened in departments which were overcrowded, to be compensated by higher prices in others, in which the demand exceeded the supply. As wages went down in the one case and went up in the other, beginners turned to where more could be earned, and kept shy of less paying work; which soon brought about automatic equalisation. Such changes take place in gold countries as well; and they occurred much less in the island after the new currency had become the

currency of the land, because statistics of production and regular meetings of the representatives of each trade, in which the mutual conditions of production were discussed, kept up the average level of prices higher than it was ever seen in the gold age. No single trade insisted on higher prices, unless it showed sufficient cause, for its representatives well knew that a rise all round would have been the consequence, which would have left them where they were before. Their purchasing power would not have increased. As consumers they would have lost what they gained as producers. Nobody ever hankered after the conditions of that time in which the stock of a useless metal was the most important element of prices, in which the owners of this metal had it therefore in their power to corner down the prices of all other commodities, and thus to increase the purchasing and tribute-exacting power of their gold.

All this was clearly recognised long before the new currency was generally used ; but Money Island was very conservative, and though the whole trade was done with Exchange Bank paper, gold continued the legal tender of the island. But at last the time came when the question was urged in the press and in public meetings why the new currency should not be made legal tender, and finally the matter was taken up by Parliament. The proposal was opposed by the owners of mortgages and other claims, which were payable in gold ; and especially by the holders of government bonds, of consols, who demanded their interest in gold. The Co-operatives had foreseen this, and it was for this purpose that they had collected a stock of

gold in their banks. They proposed to lend to the government all the gold it might need for the interest of the debt, provided it agreed to bring in a bill to make the *new currency*—the Exchange notes printed and issued by the wholesale department of the Co-operatives—*legal tender* for all debts, taxes, and payments, with the exception of those debts which had been contracted in gold, unless the creditors at once voluntarily agreed to accept the new money. The Bill was passed into law, and in the same session another Bill was carried, for which the people had been anxious for a long time. It was an *increase of the land value tax* on all lands which were kept out of tillage by their owners when cultivators were willing to work them. Half the land of the island, most of that half which could not be bought by the Co-operatives and trade unions, was hit by the new tax. It was a tax of *four shillings in the pound*, an old tax which ought to have been paid for two centuries and more, but which had been evaded, because those landlords who had the legislative power in times past had construed the tax as being payable on the valuation of the time when the law was passed, instead of at the time when the tax should be paid. The average value of land had increased enormously since then, and so the real tax paid was only a small fraction (about one-fortieth) of what it ought to have been. The tax was to be paid on the rental value. *Self-valuation, with option of purchase* given to the State at a certain rate of capitalisation based on this valuation, forced the landlords to declare the real value. This ingenious method for preventing either the *exaction* or the owners from being defrauded was borrowed

from other islands called New Zealand, where the plan had already worked admirably. The adjusting of this tax at once reduced the value of the land, on which it had to be paid, to three-fourths of its former amount. A great many mortgages became valueless in consequence, and thus much less gold was needed. The new land tax on uncultivated land was to be the only one which had to be paid in gold. This at once brought the land, or anyhow a great part of it, into the market. The Co-operatives and the Agriculturalists' trade unions bought it on condition that they could pay land and mortgages with the new legal tender. The tax was taken off after this land was put under the plough, which was done at once by the Federated Union of Agriculturalists, who would not work for the landlords. A new inheritance law reduced the value of the remaining land and that of the mortgages on it. This law imposed an *inheritance tax* of ten per cent., which increased ten per cent. with every new generation, and was also to be paid on the valuation made by the owners, with an option on the part of the State to buy the land at this valuation. Gradually all of the land which was not bought by Co-operatives and Unions came into the possession of the State. The gold claims for mortgages disappeared in this way, and other gold debts had also been gradually liquidated; partly by the bankruptcy of the debtors, who could not obtain the gold. Meanwhile the prosperity of the island had begun to tell upon other countries, who now began to look at gold currency in a different light altogether. One after another they imitated Money Island, as they had done in former times in political matters, in which the island

had always been an object-lesson to other countries. Gold, which had been at a high premium in the island, began to show signs of a rapid decline, as one by one foreign countries began to discuss the legal tender question, and as popular sentiment the world over became more and more opposed to metal money. Finally a law was passed by the parliament of Money Island which empowered all creditors of the State to convert their gold claims into legal tender claims, but which excluded from this privilege all those who did not avail themselves of it before a certain date. Every sign portended a rapid sinking of the value of gold, and most capitalists made the conversion. Those who did not repent, for gold finally sank so low that they lost a great part of their fortune. They ought to have foreseen this, for its money monopoly gave to that metal most of its value. Originally its great value as a commodity made man adopt it as money; but the immense excess of money debts over money stock finally raised the value of gold far above its mere commodity value. But even its use as a commodity in many cases depended on its high value, and was bound to diminish when this value decreased. It was used for watch-chains, for instance, not because of its intrinsic qualities for that purpose, but because of its value; for a gilt steel chain is just as good-looking and is lighter and more solid. Vanity and snobbery are great powers, and as long as gold was very valuable vanity and snobbery made gold chains popular in spite of their inferiority for all practical purposes. So it was with many other ornamental uses. Dentistry had found excellent materials to take the place of gold. Considering the immense stock

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which had accumulated, it was not astonishing that the price of gold fell rapidly, when one country after another gave up their gold currency and adopted the new Exchange notes. One gold mine after another was abandoned, and only those mines were worked which formerly paid immense royalties (rents). They became the least productive mines yet operated, and consequently cost of production in them determined the price. A time arrived in which mines, which before had given nine pounds of rent out of every ten pounds extracted, just paid the average wages of labor and the average profit of capital, which meant that gold had gone down to one-tenth of its value. Those foolish bondholders on our island who had insisted on gold, obtained only one-tenth of the interest they formerly obtained, and finally their consols were refunded in the legal tender of the country at one-tenth of their nominal value. Gold payments were a thing of the past. The new currency was the only currency of the island.



CHAPTER XVII.

THE NEW ERA.

A new era had dawned on Money Island. A prosperous and educated people enjoyed life as they never had done before. Earnings were ten times as high as in olden times. Savings were so enormous that any public improvement which was agreed upon could be carried through without delay, and on a lavish scale. I do not want to entertain the reader with the changed look of the island under such circumstances. The highest flight of his fancy could not realize the splendid scene, and so I had better refrain from depicting it, as I do not wish this truthful description to read like a Utopia. I only want to mention a few economic and political facts which might interest the reader particularly.

A *State within the State* had arisen; a State which, entirely democratic, was the strangest mixture of *Socialism* and *Individualism* ever seen. It was the ideal both of the *Socialists* and of the scientific *Anarchists*, by which somewhat ill-chosen name extreme Individualists often called themselves. Of the Socialists, because the land and the means of production had become common property; Anarchists, because this common property did not belong to the State, but to voluntary co-operators. In fact the State's business was gradually undertaken by voluntary co-operation. The membership of the co-operative societies

was freely given to whoever accepted their rules, and gradually the whole people had become members. No force was needed to make them such, for the advantages were so great and self-evident as practically to force everybody to avail himself of the privilege. Their system of administration had not changed in the least. They were established where there was a demand for them, and gradually they formed centres of distribution all over the island. There were as many of them as necessity demanded, and each society could have as many branches as was desired. The question whether a neighbourhood was served by a branch or an independent store was one of administrative ability, and was decided by the customers—the members. It mattered little, for they all had their centre in the great *Wholesale Society* (the two *Wholesales* had united) from which they bought, and whose banking department was their clearing house for their Exchange Bank cheques. The Wholesale also printed the bank-notes for all the stores. The government was a pure democracy. The people were not handed over, bound hand-and-foot, to so-called *representatives*. The people had come to detest the representative in the sense which their history had connected with the name. They had been governed by representatives times unknown, and this government had become very irksome. It was just the same as with metal money. What once had been a great mark of progress had become a reactionary institution, because a greater progress had become possible. When ignorance reigned supreme over the island, when education was the privilege of the few, when newspapers did not exist and books were only

read by a small minority, it was a good system to pick out a trusty man and to send him to the capital, there to discuss with the trustees of other sections, and by mutually instructing each other, to decide upon what was best for the common good. But here also the watch-dog continued running in the old groove long after the chain was loosed. This chain—the chain of ignorance—had been cut by the printing-press. The little club in the capital, called parliament, had no longer any privilege of greater knowledge over the smaller clubs meeting all over the country. It was well enough in the old times, before the printing-press, to assemble in the capital, there to unite the best lights and thus illuminate the general darkness; but now the light was everywhere, and often it shone clearer in places at a distance from the capital. And still the people continued to send the representative there. A representative who did not even represent in most cases, for the island had a very bad system of election. It had no *proportional vote*, though excellent systems had been proposed by which every voter could be represented, instead of only a part who were lucky enough to be in a majority in a special district. One party might elect representatives with a majority of one each in a hundred districts, and might be beaten by the other party in a hundred more districts by an immense majority, and yet each party would elect the same number of representatives, though the number of their voters stood in the relation of two to one. And worse yet, a minority with progressive ideas, who if they had full play would soon have converted the whole country, could not dare to set up candidates of their own for fear of there-

by endangering the chances of the regular party candidate who came next in their preference. They did not vote for their own candidate at all, when by counting their united votes all over the country they would have elected quite a number of their own people, and by showing their real strength would have got more, for nothing is so successful as success. They had *not even the second ballot* on the island, which had been introduced in almost all other countries, and which anyhow gave a small chance of getting independent candidates through. But even if they had had effective voting, there was always the trouble of finding a representative who really represented the views of all his electors. Most people had to be satisfied if someone was found who differed least from their own ideas. The representative's own views had to be accepted in many cases because others differed still more, and the elector could not go himself to represent his wishes. In this way even honest representatives sometimes voted quite differently from what their electors would have wished them to, and this was one of the excuses made for retaining a hereditary second house, that it might reject laws which it thought opposed to public opinion, and by forcing a new election get at what public opinion really desired. A poor system, for it was evident that these privileged people only rejected those measures which went against their own policy. A cumbersome system, too, because a new election was a tedious and expensive process. Another nation (Switzerland) had solved this difficulty in a much better way through the *referendum*, which gave it into the hands of the people to accept or reject, through a simple yes or no vote, any law passed by their representatives.

The Co-operatives adopted a still better system. Do we need a representative, they asked, for anything else but as a tool to present our votes? Why make a master out of our servant? We know that the *imperative mandate* was impracticable so long as the voters could not form a correct opinion themselves, so long as this opinion had to be elicited with pains through a long deliberation at the meeting of representatives. That time is long past. The representatives do not form their opinions from their discussions at the place of meeting, called parliament or congress. Their opinion is mostly fixed beforehand; and if this is so, why should it be their own opinion instead of ours? Why try to find a man who represents our views, who is honest enough to vote as he promised? Why not directly vote upon the question? Why can we not decide by ourselves upon the measure, and send a representative with the order to vote as we direct him, unless we prefer to send our vote direct to the office of our congress?

The Co-operatives organized on such lines. They had their own meetings, at which they decided how their representative was to vote, and those who differed sent a special representative. Each representative could register as many votes as he was charged with; and if the voters had given him imperative mandates, he could not vote differently when the representatives met in congress at the seat of the Wholesale Society to direct the affairs of the central institution. If laws were proposed, they were worded by whoever wanted to word them, and if a certain number of votes supported a particular version it was presented to the general meeting. The text which was thought best by

the representatives was referred to the electors by those representatives who were not instructed beforehand to vote a certain text, or who had full power to vote as they pleased. Mostly a majority-vote was reached in the course of a meeting, because the people at home had had time to discuss the different texts and to give or modify their instructions accordingly. In this way most of the representatives were nothing but clerks, who did their best to have their masters' commands carried through, and who had no power to go further than their mandate empowered them to go. The number of representatives was unlimited, because each only voted with as many votes as he represented. Sometimes one man represented a million people, who had confidence in his opinions and who gave him full powers to vote as he liked. In this case he could vote this number of votes without further consultation, and his limited votes according to instructions. Others sent their votes direct to the office and sent no representative, or went themselves to represent their own ideas. They could get in if there was room enough. If there was not, it was stipulated what minimum votes a man had to represent to be admitted, and those who had not this minimum tried to obtain it, or to club together to send a man of their own choice. As the imperative mandates and the direct votes were registered in the office of the congress, it often happened that this register already gave a majority of votes on certain questions. In this case no discussion was permitted. Each representative only registered his free votes to show the full figures and the case was settled. Why palaver and parley when the decision is taken beforehand :

The Trades Unions organized in a similar manner. Their congresses formed a kind of second chamber in which all questions that came up at the Co-operative Congress were re-discussed and voted on. Things sometimes looked different from the producers' point of view and from the consumers'; but the producers were also the consumers. They were only divided in different sections. The consumers' co-operative societies were formed by people living in the same locality. The trade unions were formed by people who exercised the same trade. But as they both gave their decisions by counting heads the final result both bodies arrived at was bound to be identical. Still this double discussion from two different points of view ensured a maturer consideration of every subject. Sometimes the Trades Union Congress negated a decision of the Co-operative Congress, and it had to be voted on a second time by that body, which generally reversed its former votes, for the vote of the other Congress had already shown that the majority had changed their mind. If they changed it again and negated the decision of the Unions, these had to reconsider their vote, and so on, until a final decision was reached. This certainly proved to be a well-matured one. The joint business of the two bodies had become enormous. They had gradually bought the railways, canals, and the most of the land. They owned almost all the means of production and transportation, the factories, the shipping, most of the agricultural machines and buildings; they had built splendid schools, places of entertainment, gas and waterworks, electrical lighting plants, etc.; and their administration had become more and more popular, in the

same measure in which that of the government of the island had become unpopular. Years ago the so-called Anarchists had asked: What do we want a government for? But they had obtained little hearing, because they went so far as even to reject majority-rule, and the people could not see how anything could be done without a decision of some sort being arrived at. The majority-rule which obtained in voluntary co-operation was less distasteful to these extreme individualists, because it was a voluntary association, which of course had a right to make its own rules. Anybody who wanted to remain independent could do so by keeping away. There is no law forbidding people to use the public highways, and yet the people take the railroads, because practical necessity compels them to do so, never thinking of walking from one end of the country to the other. Now practical necessity also forced the people to become voluntary members of the Co-operatives and of the Trades Unions; but as he had joined voluntarily even the most violent Anarchist could not refuse to submit to the majority-vote of the institution. On the other hand the Socialists, who expected the State to manage everything, could not deny the fact that the new State, which had grown up within the State, did things much better than they ever could have expected the State to do them. But why not take over the balance of the work left to the State? Here was a point on which the two great parties, the Individualists and the Socialists which had gradually taken the place of old parties organized on old dead issues, were united. The Socialists had attained what they wanted if this final

programme could be carried, for in this case the State had undertaken what they expected it to undertake, though the name might be different. Names do not matter. The Great Co-operative Union of Money Island was just as good as the State of Money Island. The individualists who objected to any kind of State interference, and whose extremists wanted to do away entirely with the State, had what *they* wanted. Voluntary co-operation had taken the place of the State, if the final reform succeeded; and it was bound to succeed, as the whole of the people, with few exceptions, wanted it.

The reader will be curious to know in which way this reform was carried through, whether the old parliament yielded the place to the new one, or whether the new one quietly took the place of the old one, simply notifying the existing government that it did not exist any more. The reader will not know through me, for my task has only been to relate to him the essence of events, not the details, which are of little importance; suffice it to say that the people carried their will and that the united democracy of producers and consumers became the State and took over all the property and business which had been the State's. They took the land which the State had owned, the post-office and the telegraph. They paid off the public debt, which was easy enough, as the profits of the Co-operatives were large enough by this time to pay off the whole debt in two years. All taxes were abolished except that on the land, which was no tax, but simply rent. It would have been very undesirable to abolish rent, for that would have been to make a present to the occupier of the land.

and would have done a wrong to a would-be occupier, who was willing to pay the rent, for, in spite of this rent, the land for which it was paid was worth more to the occupier than inferior land which he might have had rent free. Rent was the equalizer of superior advantages which users of land enjoyed in comparison with other users and non-users. The *rental income* gradually became so large that it alone more than sufficed to pay all the expenses of government. It greatly exceeded the rental income in old times, when land belonged to a minority. That may appear strange and incredible to those economists who think that rent will greatly decrease when rack-rent ceases and only economic rent is paid; the more so as the towns and cities of Money Island, which paid the greatest part of the rental income, had lost most of their population, for industry settled in the country, and all those places of instruction and entertainment which formerly were a monopoly of towns and cities were found all over the island. One great item of rental income had also almost disappeared: shop-rent. Where formerly forty shops retailed goods, one was sufficient now. The people bought much larger quantities at a time. Their means permitted it. These shops had become immense bazaars of twenty stories, in which anything the people wanted could be found. All this is true; but land is used for *pleasure* as well as for production. Of course there were public parks enough, but the people had become so wealthy that almost everyone wanted a garden by himself, and if possible even a park. The island was too small to provide as many of these luxuries as the people desired, and the highest bidders obtained the land. In this way

immense rents were paid, so high that corn-raising was found to be cheaper in far-off countries and in colonies, especially as universal peace, of which we shall yet speak, had entirely delivered the island from a danger which threatened it at one time, the danger of being starved out by the united fleets of its enemies, because it did not produce more than one quarter of its own food. Now it raised all the garden stuff and all the fowls it needed ; it produced all of its butter, milk, eggs, etc., and thus made good use of the human excrements which formerly polluted the rivers and lakes ; but it obtained most of its corn and meat from abroad ; land was too precious for this ; it paid better for garden and park use. The whole island was one magnificent garden, dotted with delightful villas, interspersed with palaces, in which a hundred or more families lived and carried on joint housekeeping. But I did not want to enter into such details.

The rent alone, as I said, soon paid such enormous amounts that no further taxes were needed. In the beginning two per cent. on all sales of the Co-operatives sufficed to pay the deficit. When this was no longer needed, goods were sold at cost. Public expenditure had become much greater than ever before. Nothing was spent for arsenals and navies, soldiers and policemen, courts or jails, or for poor-houses, interest of the public debt, etc. ; but new wants had taken their place. Splendid museums, academies, theatres, and other places of public use, were constructed and made free to the public ; also the railroad and internal mail service was free to everybody. The congress of producers and consumers took good care that

no unnecessary transportation took place; that everything was produced as near to the consumer as possible. The stores now sold at cost because there was no further need to acquire land and other means of production. The Trades Unions renewed and increased their means of production out of their reserve funds, which they replenished by a small percentage on the output. *Dividend giving was discontinued* long before everybody had become a member of the Co-operatives. It had been found more useful to capitalize profits, and thus to hasten for the workers the day when they should be independent of landlords and capitalists.

When I said that armies had disappeared from the national budget, I have to explain that universal peace followed free trade, which was the outgrowth of the universal establishment of the new system all over the world, with a world's clearing-house and an international arbitration court on Money Island. Universal Free Trade made all nations one people, and war became a thing of the past. The army of the unemployed, which had forced governments to increase their regular armies, as otherwise they had to feed these people in poor-houses, had disappeared, and labor was so valuable that it did not pay to keep men busy with shouldering guns and presenting arms. Militias were instituted everywhere, and even they were never used except for parades to amuse themselves and the people. Policemen were not needed, because every citizen was a policeman whose service in this line was hardly ever needed. It paid better to work than to steal. General prosperity had improved the morals of the people. *Law books were abolished*, and

the whole apparatus of judges, attorneys, solicitors, etc., etc., with them. Law was administered gratuitously by *arbitrators* freely chosen by the offending parties, or chosen for them by the council of their local Co-operatives, from whom, in important cases, appeal could be made to those chosen by the central department. The arbitrators had the right to impose a fine on the losing party. Criminal justice was attended to in the hospitals by councils of physicians. This department had less and less work to do the more the new era produced its full effect upon the people and upon the marriage system. Natural selection had full play after it was freed from artificial bars erected by a capitalistic age. Healthier, stronger, and more intelligent children were the result, who grew up in better surroundings, in which they developed into a race such as the world had never seen. We must not imagine that the new arbitration courts were only introduced after the new constitution was adopted. This constitution had only legalized what had been the universal practice before. It had become the rule to decide quarrels between members by arbitration, because law had been a very expensive luxury in the island. The reader might think that the islanders then had no power to carry through the decisions of the arbitrators, and that in case these decisions did not suit one of the parties, a recourse to the courts could not be avoided. This is true, but such would have involved a loss of membership in the Co-operative Societies and Trade Unions; and anybody who was excluded from their benefits might have just as well have left the island. Such a boycott was more effectual than any decree of the courts.

Those who are inclined to doubt this may go to the *Paris Exchange*. They will find there an official business done by brokers (*agents de change*) appointed by the government, and an unofficial business, the *coulisse*, which by far exceeds the official one. Only the official agreements can be carried through by law, the unofficial ones are left to the good faith of the parties. For all that, there is almost no case in which solvent parties refuse to carry out their illegal contracts, because that would mean exclusion, or rather a boycott by the whole *coulisse*. Nobody would transact any more business with the man who so broke his engagements. The same effect had been produced in Money Island. Long before the legal apparatus of the nation was abolished, it had almost entirely gone out of use so far as civil law was concerned.

I have finished with my history of Money Island; but a few questions might be asked about minor points, which I should like to answer. People often find it easy to get over great difficulties, but the small hitches seem impossible of overcoming. The French have a proverb, "*Il n'y a que les choses faciles qui soient difficiles.*" (Only easy things are difficult.)

Robert Blatchford is very amusing and yet entirely correct when he makes fun of people's solicitude about the great scavenger question. "*Who will do the scavenging?*" This question is an old friend of mine, and I have come to entertain for it a tender affection. I have seldom heard an argument or read an adverse letter or speech against the claims of justice in social matters, but our friend the scavenger played a prominent part therein. Truly this scavenger is a most im-

portant person. Yet one would not suppose that the whole cosmic scheme revolved on him as on an axis ; one would not imagine him to be the keystone of European society—at least his appearance and his wages would not justify such an assumption. But I begin to believe that the fear of the scavenger is really the source and fountain-head, the life and blood and breath of all conservatism. Good old scavenger ! His asphan is the bulwark of capitalism, and his besom the standard, around which rally the pride and the culture and the opulence of British society. And he never knew it, he does not know it now. If he did he would strike for another penny a day."

But he knew it in the new era, and he struck not for another penny a day, but for a whole pound a day ; and he got it. Work was paid in proportion to the number of workers who offered to take it, and as most workers preferred more pleasant work, scavenging was not much in demand, and only higher prices induced workers to undertake it. As it was very highly paid work it became genteel in proportion. This was no small consideration, for standing in society is of more importance than pay even. The hangman and the army officer present to us one of the lowest and one of the highest of trades, as far as their standing in society is concerned, and yet both kill by order of the State. The only difference is that the one kills without any personal danger, the other risks his own life. If it were not for the social standing there would be many who would look at the matter in the light of Falstaff. At equal pay they would prefer killing without personal danger, would become hangmen instead of officers. A chemist has

to undertake as unpleasant work as a scavenger, but he stands higher because his work demands a higher education and is paid better. Let everybody be well educated; let both kinds of work be equally well paid and there will be many people who prefer, of two kinds of unsavoury work, to do that which makes smaller demands upon their intelligence. They will become the scavengers, the others the chemists. Is the work of the anatomist less disgusting than that of the knacker or flayer? Not a bit. Only the one demands a scientific education, the other does not; and if the dirty work has to be done, there are many who prefer to do it without the additional effort of their intelligence, and they become knackers. Those who like to work their intellect become anatomists.

Let one kind of work be considered as honorable as the other, and let its remuneration increase in proportion to its unpleasantness, and there will never be any lack of persons willing to undertake it.

Another question will be that of *Life Insurance*. In our thoughts it is so closely connected with the interest question that some will not at first sight understand how life insurance is possible after interest has disappeared. And yet the two things have no real connection. Life insurance is nothing but an equalization of risks, a division of risks among a large number of persons. Formerly it required the payment of smaller sums to insure a certain amount because the interest profits, which the company obtain, are taken into account. In the new era insurance became more expensive because interest had disappeared, but as it became ten times as easy to lay aside money for

old age, the workers could insure much larger amounts than they could before. Interest eats much more than it gives, not only because it usually takes from the poor and gives to the rich, but because its effects cause the crisis, and thus it prevents production, creates waste, and renders impossible the full development of productive power.

When a man wanted to insure his life in the new era so as to enable him to retire at the age of fifty, or even before if his strength gave out sooner, and to enjoy an annuity of £500 from that time, the Insurance Department of the Co-operatives calculated the average time during which this pension would have to be paid. It took all points into consideration; his probable life-time and his chances of invalidity. After this it divided the sum thus obtained by the average number of years during which payment could be expected, which gave the yearly premium the man had to pay.

When a lecturer on political economy in the new era wanted to excite great hilarity, he quoted some of the arguments of the old time about the *advantage of interest* to the workers, whom it enabled to insure a comfortable income for old age. Interest, which he paid in every morsel he ate, which reduced his income to a mere pittance, which deprived him of employment part of the time,—interest was extolled to him as his dependence in old age! It was like the wolves preaching to the sheep that mutual eating was in the interest of the sheep, as well as in that of the wolves. In the new era interest had disappeared and the worker's income had increased ten-fold. Without interest he saved a great deal more for old age

than he could with interest at a time when saving was almost entirely out of the question.

But even the millionaires had no cause to regret the disappearance of interest. A man with a fortune of a million in the old time had rarely spent more than £25,000 a year, and generally not even that. In the new era £25,000 a year afforded him more enjoyment than ever before, because most prices had gone down, except rent and the price of personal services; and a great many enjoyments, which formerly had to be paid for, were free to all—travelling and theatres, for instance. A million allowed him to spend the £25,000 during his lifetime and even then left a fortune to his family, provided the average of the insurance tables did not reach the figure forty for his life's balance. But suppose he spent the whole during his life, even this gave him ample time and opportunity to educate his children to enable them to make a good living, which was much better than to leave them an income larger than his own, and thus to breed, and enable them to breed after him, nests of vampires, feeding on the life-blood of workers to all eternity. No more inheritance laws were needed after the new era laws were fully established and after the land had become the property of the people. Wealth by itself did not harm those who did not own it. What did it matter to any worker that Plutus had ten millions to his credit in the bank? On the contrary it was a benefit to him, because the bank only guaranteed this sum to Plutus on condition that it had the privilege to lend it interest-free to the workers in the shape of means of production. If Plutus did not agree to that, let him take

care of his wealth himself. What could he do with it? Buy the means of production himself and use them? He neither would do that, nor employ others to use them, for in either case he would have lost. He could not have competed with the workers, who did not need him, and who worked on their own account. They would not work for him unless he paid them more than they could earn by themselves co-operatively. Plutus's father might have had something even then, for he was a good organizer; but Plutus's son was nothing of the kind; he was only his father's son. In the old times his inefficiency would not have prevented him accumulating new wealth from year to year. He owned the land on which a large city was built, and the people who needed this land had to come and pay him yearly tribute, a tribute increasing all the time as population increased. He owned consols, and he had not even the trouble to collect the interest; his banker did that also and invested it in new consols for him. All that had changed, which was as good for him as for the people, for he could not use his wealth. It was too much for him, and it was harming those to whom he left it. No inheritance law was needed now to diminish it. A few generations and it was spent, as it had lost its power of self-increase. Nobody envied him, for his wealth was nothing but what everybody could gain with a moderate amount of labor. (I do not mean that such immense sums could have been made by anybody, but amounts large enough to afford anyone all the real enjoyment he cared for.) Nobody feared his wealth any more, for this wealth had ceased to be a leech, sucking the life-blood of his fellow-man through

interest and rent. It had become an innocent accumulation, which could only benefit those who used it, rendering in return nothing but the service of preserving it. Without this service it would have been destroyed by the forces of nature, as it could only be invested in perishable products of labor, not in land consols, or any other form of tribute-claim.

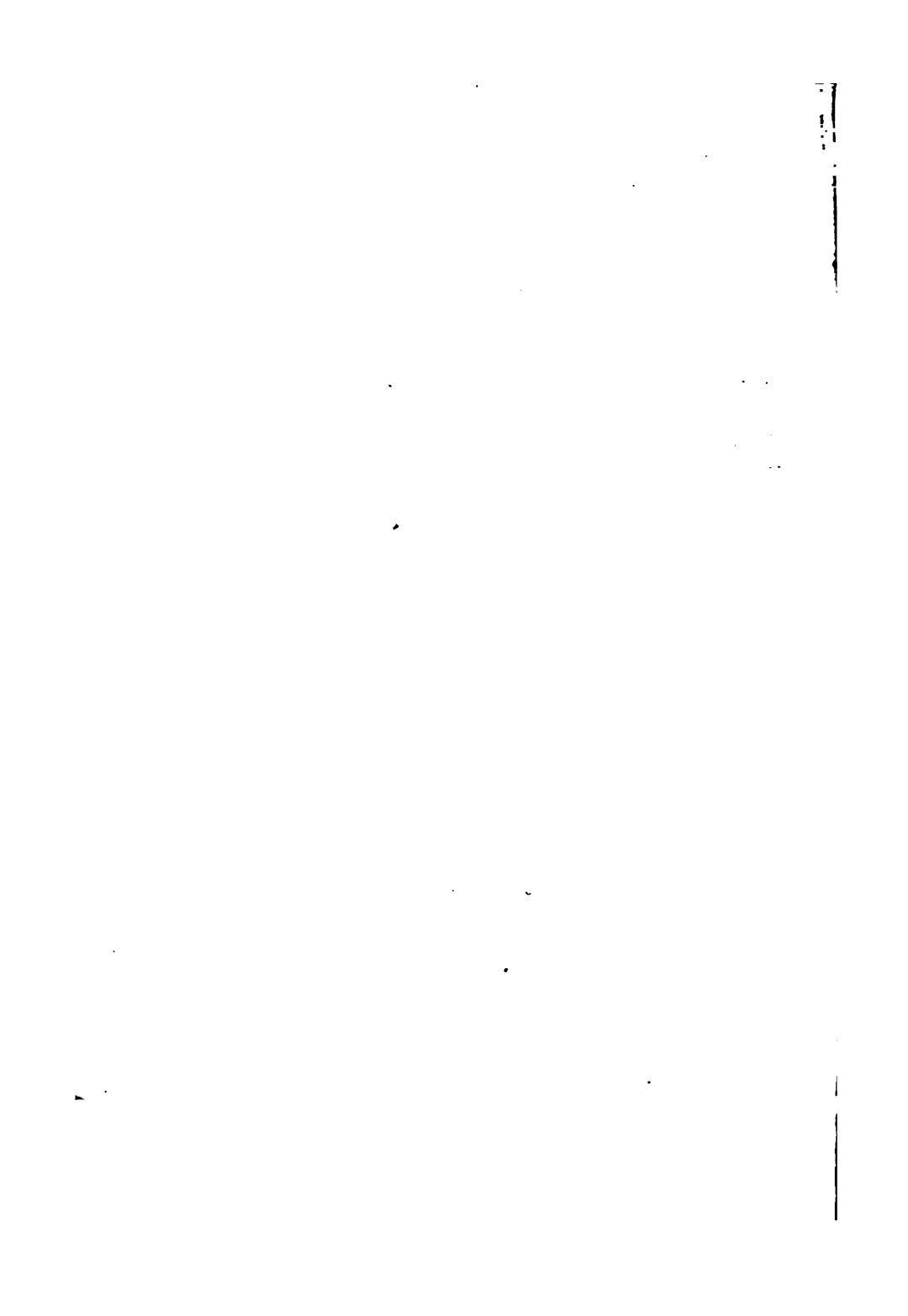
CONCLUSION.

THE cock crows. The night is over. Money Island is sinking in the cloud-ocean bordering dreamland, as the sun is rising on the horizon. It was a dream; nothing but a pleasant dream. Will it ever remain so? It is not for me to answer, but for a nation which has done great things for humanity in the past. It has sat around the cradle of human Liberty; it has nursed the growing babe, until its giant arms have embraced the whole world. Despotism has not yet everywhere disappeared, but the arms of giant Liberty are tightening even around countries in which *regis voluntas suprema lex*, a tarrying shadow of the middle-ages, is as yet arrogantly holding up its head. The hydra has more than one head, as Hercules found out in the good old time, when monsters yet walked the earth in their undisguised ugliness, so that heroes knew exactly where to strike. They are much worse in our time, when hired pens so cleverly manage to clothe them with beautiful names, impenetrable armours for the intellectual lance of the multitude. *Capital, the friend of labor!* Capital meaning the market value of the privilege to fleece labor. *Interest, the reward of abstinence!* Of those who have to pay it. *The instigator of saving!* As if the bee needed interest to stimulate its honey collecting work, and as if interest, by diminishing the amount of savings required to live without further work, by disabling others from saving,

did not prevent more work than it stimulated. *Free trade:* Even if it means opening your own armour, while others double their own protective shields. *Laissez faire!* Even if the people starve. *Full play to individual effort* and *sacredness of property!* Even though property means the soil of the country, and though work and life are impossible without land. *Sound money!* Even though soundness means a growing monopoly for the owners of a scarce commodity, which is the only legal tender for debts, the only standard of value, the only valid means of exchange. *Credit the soul of business!* By exacting interest which kills trade. *Gradual equalization of wealth!* Because the rate of interest goes down, the sign of unnatural overgrowth of tribute claims with which tribute payment cannot keep pace. *Free trade in land!* To have the mortgage-lord take the place of the landlord, the plutocrat that of the aristocrat. *Over-population!* With an over-production of all necessities of life. *Over-production!* With millions of needy people. *Survival of the fittest!* The fittest being the useless sprigs of a line of idle drones, and he who succumbs an honorable toiler.—No wonder it becomes so difficult to find the head of the hydra, the new head which has grown in place of the old one: *Plutocracy* the ugly successor of *Despotism!* Who will be the modern Hercules to cut this head? Will it really be that great nation who has done so much already? *Noblesse oblige.* The world expects England to do her duty. She has begun by means of that wonderful growth of *co-operation*, in which I see more hope than in the two million Socialist votes of Germany where not ten thousand, probably not even one thousand, have the

faintest idea what practical work is expected of them to reach what they proclaim their great goal—proclaim with well-sounding words, almost as well sounding as those of their opponents.

Poor Fatherland, beautiful land of dreamers! When other nations conquered the world thou hast philosophized and hast lost thyself in rose-coloured dreams of human brotherhood, until thou hast awakened to see the world distributed and nothing left thee but a few fever holes in distant corners, which others did not want. A great time is approaching, in which the nations of the earth will fight the great battle against oppression by organizing in *practical work*, and thou followest spell-bound in the wake of a strange dreamer, whose strange scholasticism has so enchanted thy leaders with its mysteries, that when the great moment has arrived, thou wilt have done nothing but delivered empty votes and emptier words. The real work will again have been done by those brothers in the Northwest, who have gained the world whilst thou sattest dreaming and who are already, without knowing it, on the threshold of the social paradise. They will step over this threshold and the whole world will bless them as the great pioneers of social progress.



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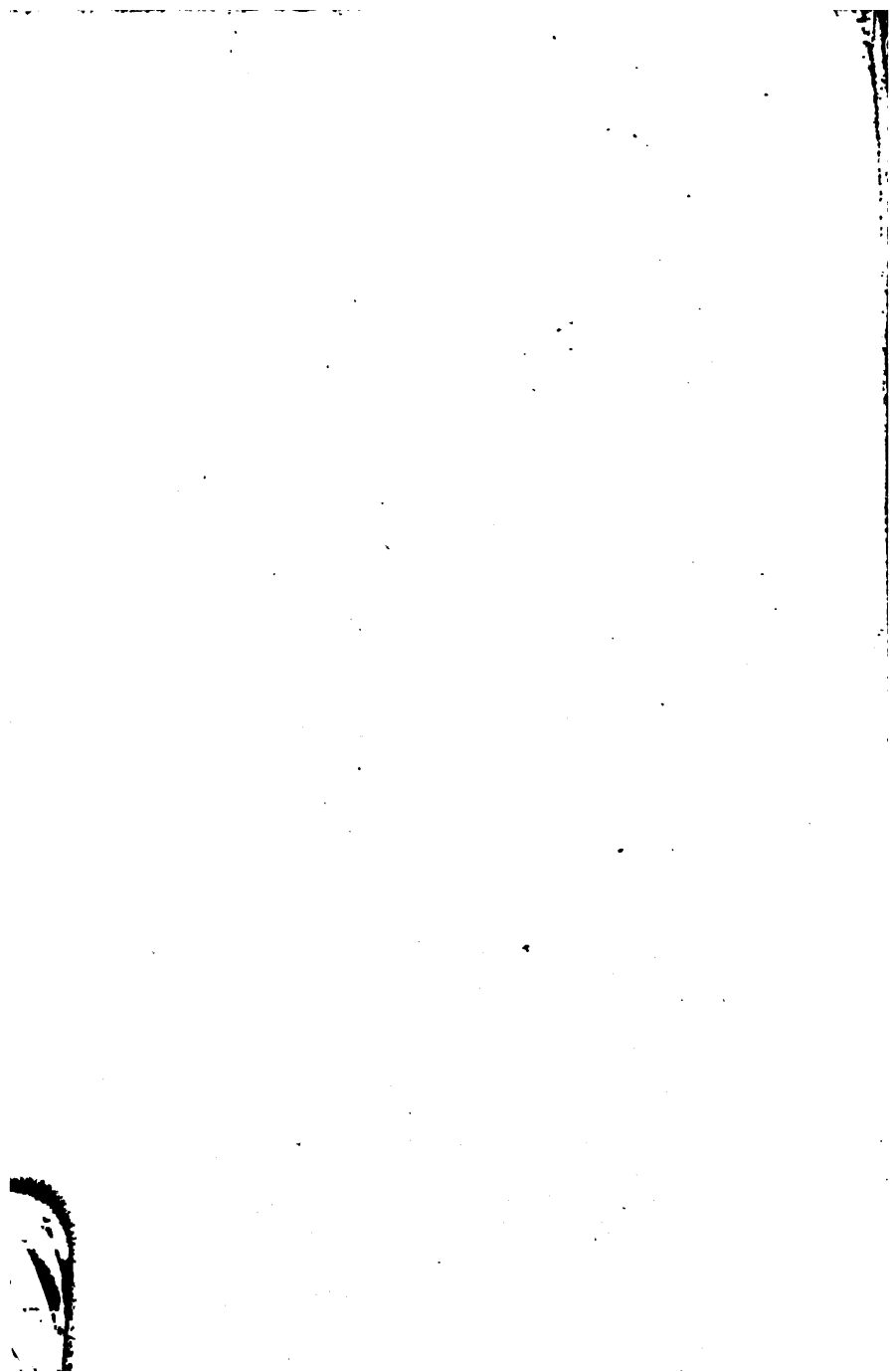
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